

**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 5, 2015

PIXELWORKS, INC.

(Exact name of registrant as specified in its charter)

OREGON
(State or other jurisdiction of
incorporation)

000-30269
(Commission File Number)

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

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

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

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

On February 5, 2015, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three and twelve month periods ended December 31, 2014 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 5, 2015 is furnished herewith as Exhibit 99.1, to this Report and a copy of the Company's conference call script announcing these financial results is furnished herewith as Exhibit 99.2. The information in this Item 2.02, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated February 5, 2015.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 5, 2015.

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 5, 2015

/s/ Steven L. Moore

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

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated February 5, 2015.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 5, 2015.



Pixelworks Reports Fourth Quarter 2014 Financial Results

SAN JOSE, Calif., February 5, 2015 -- Pixelworks, Inc. (NASDAQ: PXLW), an innovative provider of video display processing technology enabling the highest quality viewing experience for displays of all sizes, today announced financial results for the fourth quarter and fiscal year ended December 31, 2014.

Revenue for the full year 2014 totaled \$60.9 million, a 26.6% increase over 2013, driven by broad demand for the Company's chips sold into the projector market.

For the fourth quarter 2014, revenue was \$15.1 million, compared to \$17.1 million in the prior quarter and \$15.0 million in the fourth quarter of 2013. The sequential decline in revenue was primarily the result of earlier than normal seasonality combined with year-end inventory adjustments at certain customers.

On a GAAP basis, gross profit margin in the fourth quarter of 2014 was 50.0%, compared to 50.1% in the third quarter of 2014 and 56.7% in the fourth quarter of 2013. Fourth quarter 2014 GAAP operating expenses were \$10.2 million, compared to \$10.5 million in the previous quarter and \$8.3 million in the fourth quarter of 2013.

For the fourth quarter of 2014, the Company recorded a GAAP net loss of \$2.8 million, or \$0.12 per share, compared to a GAAP net loss of \$2.3 million, or \$0.10 per share, in the third quarter of 2014 and GAAP net loss of \$50,000, or \$0.00 per share, in the fourth quarter of 2013.

On a non-GAAP basis, fourth quarter 2014 gross profit margin was 50.3%, compared to 50.4% in the third quarter of 2014 and 57.8% in the fourth quarter of 2013. Fourth quarter 2014 gross margin was lower compared to the year-ago quarter primarily due to a higher percentage of chip revenue. Fourth quarter 2014 operating expenses on a non-GAAP basis were \$8.8 million, compared to \$9.3 million in the previous quarter and \$7.1 million in the fourth quarter of 2013.

For the fourth quarter of 2014, the Company recorded a non-GAAP net loss of \$1.4 million, or \$0.06 per share, compared to a non-GAAP net loss of \$0.9 million, or \$0.04 per share, in the third quarter of 2014 and non-GAAP net income of \$1.3 million, or \$0.05 per diluted share, in the fourth quarter of 2013. Adjusted EBITDA in the fourth quarter of 2014 was a negative \$0.1 million, compared to a positive \$0.4 million in the previous quarter and a positive \$2.7 million in the fourth quarter of 2013.

"2014 was a year of strong growth, with product revenues up 44% over 2013, as well as numerous milestone achievements for Pixelworks", said Bruce Walicek, President and CEO of Pixelworks. "Most recently, we have continued to ramp shipments of our co-development chip and are also seeing great customer engagement activity for our Iris product line of display processors, which is targeted at a wide range of mobile applications. As we look to 2015, we expect another year of significant growth in our core business supported by exceptional interest in Pixelworks' technology for video processing across various applications and display sizes."

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

Conference Call Information

Pixelworks will host a conference call today at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 69400577. A Web broadcast of the call can be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live Web broadcast, it will be archived for approximately 30 days. A replay of the conference call will also be available through Thursday, February 12, 2015, and can be accessed by calling 855-859-2056 and using passcode 69400577.

About Pixelworks, Inc.

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

For more information, please visit the company's Web site at www.pixelworks.com.

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

Non-GAAP Financial Measures

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

Safe Harbor Statement

This release contains forward-looking statements, including, without limitation, the statements in Bruce Walicek's quote with respect to the Company's growth opportunities, product shipments, product demand, customer engagements, and the Company's potential and position for the future, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "believe," and similar terms or the negative of such terms. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; risks related to licensing our intellectual property; the success of our products in expanded markets; current global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2013 as well as subsequent SEC filings.

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

- Financial Tables Follow -

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

	Three Months Ended			Twelve Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2014	2014	2013	2014	2013
Revenue, net	\$ 15,105	\$ 17,111	\$ 14,984	\$ 60,923	\$ 48,118
Cost of revenue (1)	7,546	8,545	6,495	29,142	21,708
Gross profit	7,559	8,566	8,489	31,781	26,410
Operating expenses:					
Research and development (2)	6,390	6,634	4,536	25,296	20,664
Selling, general and administrative (3)	3,776	3,900	3,715	15,434	13,883
Total operating expenses	10,166	10,534	8,251	40,730	34,547
Income (loss) from operations	(2,607)	(1,968)	238	(8,949)	(8,137)
Interest expense and other, net	(118)	(123)	(109)	(493)	(405)
Income (loss) before income taxes	(2,725)	(2,091)	129	(9,442)	(8,542)
Provision for income taxes	46	209	179	518	328
Net loss	\$ (2,771)	\$ (2,300)	\$ (50)	\$ (9,960)	\$ (8,870)
Net loss per share - basic and diluted	\$ (0.12)	\$ (0.10)	\$ (0.00)	\$ (0.44)	\$ (0.45)
Weighted average shares outstanding - basic and diluted	23,175	23,007	21,985	22,766	19,816

(1) Includes:

Stock-based compensation	\$ 71	\$ 61	\$ 64	\$ 262	\$ 164
Additional amortization of non-cancelable prepaid royalty	(30)	4	103	65	369
(2) Includes stock-based compensation	640	562	522	2,441	1,204
(3) Includes stock-based compensation	690	634	599	2,599	1,640

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,	September 30,	December 31,	December 31,	December 31,
	2014	2014	2013	2014	2013
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	\$ 7,559	\$ 8,566	\$ 8,489	\$ 31,781	\$ 26,410
Stock-based compensation	71	61	64	262	164
Additional amortization of non-cancelable prepaid royalty	(30)	4	103	65	369
Total reconciling items included in cost of revenue	41	65	167	327	533
Non-GAAP gross profit	\$ 7,600	\$ 8,631	\$ 8,656	\$ 32,108	\$ 26,943
Non-GAAP gross profit margin	50.3%	50.4%	57.8%	52.7%	56.0%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	\$ 10,166	\$ 10,534	\$ 8,251	\$ 40,730	\$ 34,547
Reconciling item included in research and development:					
Stock-based compensation	640	562	522	2,441	1,204
Reconciling item included in selling, general and administrative:					
Stock-based compensation	690	634	599	2,599	1,640
Total reconciling items included in operating expenses	1,330	1,196	1,121	5,040	2,844
Non-GAAP operating expenses	\$ 8,836	\$ 9,338	\$ 7,130	\$ 35,690	\$ 31,703
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net loss	\$ (2,771)	\$ (2,300)	\$ (50)	\$ (9,960)	\$ (8,870)
Reconciling items included in cost of revenue	41	65	167	327	533
Reconciling items included in operating expenses	1,330	1,196	1,121	5,040	2,844
Tax effect of non-GAAP adjustments	(6)	91	17	—	—
Non-GAAP net income (loss)	\$ (1,406)	\$ (948)	\$ 1,255	\$ (4,593)	\$ (5,493)
Non-GAAP net income (loss) per share:					
Basic	\$ (0.06)	\$ (0.04)	\$ 0.06	\$ (0.20)	\$ (0.28)
Diluted	\$ (0.06)	\$ (0.04)	\$ 0.05	\$ (0.20)	\$ (0.28)
Non-GAAP weighted average shares outstanding:					
Basic	23,175	23,007	21,985	22,766	19,816
Diluted	23,175	23,007	23,468	22,766	19,816

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

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

	Three Months Ended			Twelve Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2014	2014	2013	2014	2013
Reconciliation of GAAP net loss and adjusted EBITDA					
GAAP net loss	\$ (2,771)	\$ (2,300)	\$ (50)	\$ (9,960)	\$ (8,870)
Stock-based compensation	1,401	1,257	1,185	5,302	3,008
Additional amortization of non-cancelable prepaid royalty	(30)	4	103	65	369
Tax effect of non-GAAP adjustments	(6)	91	17	—	—
Non-GAAP net income (loss)	\$ (1,406)	\$ (948)	\$ 1,255	\$ (4,593)	\$ (5,493)
EBITDA adjustments:					
Depreciation and amortization	\$ 1,099	\$ 1,130	\$ 1,167	\$ 4,514	\$ 4,409
Interest expense and other, net	118	123	109	493	405
Non-GAAP provision for income taxes	52	118	162	518	328
Adjusted EBITDA	\$ (137)	\$ 423	\$ 2,693	\$ 932	\$ (351)

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

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

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,926	\$ 20,805
Accounts receivable, net	4,648	4,761
Inventories	2,898	1,663
Prepaid expenses and other current assets	888	2,858
Total current assets	26,360	30,087
Property and equipment, net	6,402	4,084
Other assets, net	1,382	2,573
Total assets	\$ 34,144	\$ 36,744
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,154	\$ 1,327
Accrued liabilities and current portion of long-term liabilities	8,539	10,505
Current portion of income taxes payable	197	92
Short-term line of credit	3,000	3,000
Total current liabilities	14,890	14,924
Long-term liabilities, net of current portion	1,476	677
Income taxes payable, net of current portion	2,094	2,201
Total liabilities	18,460	17,802
Shareholders' equity	15,684	18,942
Total liabilities and shareholders' equity	\$ 34,144	\$ 36,744

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**Pixelworks, Inc. Q4 2014 Conference Call
February 5, 2015**

Steven Moore, CFO

Good afternoon and thank you for joining us. This is Steve Moore, Chief Financial Officer of Pixelworks. With me today is Bruce Walicek, President and CEO. The purpose of today's conference call is to supplement the information provided in our press release issued earlier today announcing the Company's financial results for the fourth quarter ended December 31, 2014.

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 5, 2015, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2013, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including gross margin, operating expenses, net income (loss), and net income (loss) per share. These non-GAAP measures exclude stock-based compensation expense and additional amortization of a prepaid royalty. We use these non-GAAP measures internally to assess our operating performance. The Company believes these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics, but we caution investors to consider these measures in addition to, not as a substitute for, nor superior to, the Company's consolidated financial results as presented in accordance with GAAP.

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

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

Bruce Walicek, CEO

Thanks Steve. Good afternoon everyone and thanks for joining us today

2014 Recap

- 2014 was an outstanding year of progress and strong growth for Pixelworks as overall revenues came in at \$61M, up 27% year over year, driven by product revenues which increased 44% over 2013.
- It was also a key year for confirming our thesis of the growing need for video processing technology as trends driving our business accelerated and we enter 2015 with significant momentum and an exciting set of opportunities.
- During the year, we completed key milestones that advanced our progress and moved the company forward as we completed our co-development partnership to develop a highly integrated next generation SOC.
- We delivered initial prototype samples right on schedule and ramped the mass production version into high volume production in Q3 with on time execution.
- We successfully executed and delivered on our licensing partnership engagements which are a major validation of our innovation, technology and expertise.
- And we launched our first product line of mobile video processors targeted at laptop/Ultrabooks™/tablets and smartphones with screen sizes from 5.5” to 14.9”, and delivered initial silicon samples in the 2nd half of the year.
- And finally we strengthened our board of directors with the addition of David Tupman, who brings extensive experience in management and advisory roles at leading consumer electronics companies.

Q4 2014 Results

- Turning to the results for the quarter, Q4 2014 was in-line with guidance as revenues of \$15M, were down sequentially but we had outstanding product revenue growth which increased 27% over Q4 2013.
- All other Non-GAAP metrics came within the range of guidance, and despite seasonality at year end, we expect to see solid double digit growth in our core business in 2015.
- Steve will review the results of the quarter and provide the outlook for Q1 2015 later in this call.

Iris mobile video processors/ Mobile screen applications

- At the Consumer Electronics Show (“CES”) in Las Vegas this quarter we demonstrated the range and breadth of our current and future generation technology across large and small displays from 5.5” to large projected images.
 - And we introduced our “True Clarity” branding concept, which is our brand name for the totality of PXLW display technology enhancements such as smooth motion video, daylight viewing, and color accuracy, as it applies across all screens.
 - What is truly remarkable is that True Clarity brings out the fullest capabilities of the display.
 - This means that every display can now deliver its optimum performance in order to show whatever is on the screen to its best advantage and provide the best visual user experience.
 - Next generation displays are requiring innovative video solutions as companies begin to recognize the importance of the visual experience to the differentiation and positioning of their products.
 - And as products merge and become not only productivity devices but content consumption devices as well, True Clarity provides a framework for positioning their product.
-

- At the show we also demonstrated the power and capability of Pixelworks technology for all displays across our product lines from VueMagic™ collaboration applications running on Topaz chip based projectors, to Iris mobile video processor silicon running on Intel and Qualcomm platforms.

Iris value proposition

- Iris brings the cinematic experience of large screens to mobile screens, while enhancing system performance and lowering power consumption.
- Iris represents several years of research to leverage Pixelworks' technology for large screen applications to create the best video quality in smaller mobile displays, and our first product includes the full array of advanced video processing techniques.
- Iris technology not only optimizes all aspects of the display that affect video quality, but it also works at the system level, improving battery life and freeing up valuable system resources to create the optimal viewing experience.
- The PX3883 is the first device in the product line of Iris chips on our roadmap based on our video display processing technology.
- We have an aggressive roadmap that will expand the Iris product line in the first half of 2015.
- And we will be previewing our next generation Iris technology at the upcoming Mobile World Congress Conference in Barcelona later this quarter.

Iris launch/ Traction

- The value propositions of Iris are resonating with customers and partners alike.
- Interest in Iris in our customer base and partner ecosystem has never been stronger, and we are seeing design win traction at new and existing customers, as well as a wide range of licensing opportunities for Pixelworks' video technology.

Trends

- Increasing mobile video consumption is a key driving factor of the need for next generation video solutions, as consumers increasingly view their content on UltraBooks™, tablets, and smartphones.
- China in particular is an explosive opportunity for mobile video as China smartphone users are expected to exceed 700 million by 2018 and video is expected to reach 50% of mobile traffic by 2019.
- Another driving factor is ongoing progress in new display technology as the industry accelerates advancements with no end in sight.
- The entire video ecosystem will upgrade to 4K resolutions in the coming years and we are just at the beginning of a multi-year transition to more capable displays across all screens.

Pixelworks value and expertise

- Delivering great video quality is an art as well as a science, and it takes many years to develop the expertise necessary to provide solutions that are tested by the industry's most demanding customers.
 - Leveraging a portfolio of 130 patents, and over 15 years of TV industry experience in the marketplace solving the most difficult video problems, we have now brought that expertise and innovation to mobile screens as well.
-

Large screen projected and panel applications

- At CES we showed our latest VueMagic™ connectivity application running on VueMagic™ Mate and projectors based on Topaz, that allow up to 4 devices to connect and share their displays with a projector.
- Unlike traditional screen sharing solutions such as Miracast, VueMagic™ allows interaction and collaboration with the content.
- And during the quarter we announced that BenQ licensed VueMagic™ for their Qpresenter line of projectors.
 - BenQ reviewed all solutions, and VueMagic™ was adopted due to its multi-screen and annotate features that make it easy to interact with content, making it ideally suited for education and collaborative meetings.
- During the quarter we also delivered high volume production of the advanced SOC we developed under our co-development partnership.
- And we expect this product to continue to ramp into 2015 and drive year on year growth in our overall product business for large screen applications.
- Design win momentum remains strong as we continue to see outstanding adoption for our Topaz family of SOCs for projectors.
- And we continue to see opportunities across our families of video co-processors for large screen panels, as 4K applications broaden out to include monitors, digital signage, and projected displays in addition to large screen TVs.

Closing summary

- 2014 was a great year of growth driven by product revenues which were up 44% and overall revenues of \$61M that increased 27% over 2013.
- Q4 was a solid quarter of product growth which increased 27% year over year and we expect to see solid double digit over growth in our core business in 2015.
- During the quarter we shipped high volume production of the advanced SOC for large screen applications, which we developed under our co-development partnership.
- And we will be demoing our current and latest technology and products for mobile displays at the upcoming Mobile World Congress Conference later this quarter.
- Now, I'd now like to turn the call over to Steve to review the financial results of the quarter.

Steven Moore, CFO

Thank you, Bruce.

Revenue for the fourth quarter of 2014 was \$15.1 million, which compares to \$17.1 million in the prior quarter. Q4 total revenue was flat compared with total revenue for the fourth quarter of 2013, but revenue from chip sales was up 27% compared with the prior year quarter.

The split of our fourth quarter chip revenue by market was:
89% digital projection,
11% TV and panel

Digital projection revenue was \$13.4 million, compared to \$14.9 million in the third quarter, and revenue from TV and panel totaled \$1.6 million in the fourth quarter, compared to \$2.2 million in the prior quarter. Sequential revenues declined due to seasonality and inventory adjustments in our customer base.

Licensing revenue was approximately \$200,000 in the fourth quarter, compared to a negligible contribution in the previous quarter, and we continue to expect the recognition of licensing revenue to be lumpy in future quarters.

Non-GAAP gross profit margin was 50.3% in the fourth quarter, comparable to the 50.4% in the third quarter.

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

Non-GAAP operating expenses were \$8.8 million in the fourth quarter, compared to \$9.3 million in the prior quarter.

Adjusted EBITDA was a negative \$137,000 for the fourth quarter, compared to a positive \$423,000 in the third quarter. A reconciliation of adjusted EBITDA to GAAP net loss may be found in today's press release.

On a non-GAAP basis we recorded a net loss of \$1.4 million, or loss of 6 cents per share, in the fourth quarter of 2014, as compared to a non-GAAP net loss of \$950,000, or loss of 4 cents per share, in the prior quarter.

Moving to the balance sheet, we ended the fourth quarter with cash and cash equivalents of approximately \$17.9 million, compared to \$19.3 million at the end of the third quarter. The Company has no long-term debt and similar to the previous quarter, the Company had a balance of \$3 million on its working capital line of credit.

Other balance sheet metrics include day's sales outstanding of 28 days at quarter-end, compared to 32 days at the end of the third quarter, and inventory turns ticked-up to just over 13 times from approximately 12 last quarter.

Guidance

For the first quarter of 2015, we expect revenue to be in a range of between \$14 and \$16 million.

We expect gross profit margin for the quarter to range between 48% to 50% on a non-GAAP basis and 47% to 49% on a GAAP basis.

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

And finally, we expect a non-GAAP first quarter net loss of between 3 and 13 cents per share; and we expect a GAAP net loss of between 8 cents and 18 cents per share.

That concludes my comments. We will now open the call for your questions.