UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 1, 2018

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.)

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:

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

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

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

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

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

Emerging growth company o

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

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2018, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and nine month periods ended September 30, 2018 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued November 1, 2018 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 November 1, 2018.
99.2	Pixelworks, Inc. Third Quarter Results Conference Call Script dated November 1, 2018.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PIXELWORKS, INC.
(Registrant)

Dated:	November 1, 2018	/s/ Steven L. Moore
		Steven L. Moore *Vice President, Chief Financial Officer, Secretary and Treasurer*

Exhibit 99.1

Pixelworks Reports Third Quarter 2018 Financial Results

Revenue increased 14% year-over-year with sequential growth in Projector, Video Delivery and Mobile;
Video Delivery business accretive to earnings

SAN JOSE, Calif., Nov. 1, 2018 - Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of power efficient visual processing solutions, today announced financial results for the third quarter ended September 30, 2018.

Third Quarter and Recent Highlights

- Mobile revenue grew 33% sequentially, driven by volume production orders of Iris mobile processors
- Announced wins on newly launched smartphones, the ZTE Axon 9 Pro, Nokia 7.1 and Black Shark Helo
- Video Delivery revenue grew 70% sequentially and was accretive to quarterly earnings
- Ramped shipments of XCode transcoding chips to leading consumer electronics OEMs in Japan
- Recorded GAAP profitability and generated $3.6 million in cash flow from operations

President and CEO of Pixelworks, Todd DeBonis, commented, “Consolidated revenue in the third quarter grew 14% year-over-year to $21.5 million, reflecting sequential growth across all end markets. Gross margin and earnings per share were both at the high-end of our guidance range, generating GAAP profitability and solid cash flow from operations. Also notable, our video delivery business was accretive to earnings in the third quarter.

“We continue to gain momentum in Mobile, as evidenced by achieving the fourth consecutive quarter of sequential revenue growth. Our advanced video processing technology is providing important differentiation to a growing number of handset OEMs that are incorporating Pixelworks’ Iris processor to enable high-quality, HDR display processing on their next-generation smartphones. Additionally, our Video Delivery business benefited from strong demand for our XCode transcoding chips in support of the upcoming broadcast transition in Japan.

“Collectively, our recently secured wins and customers’ product launches are driving increased awareness of Pixelworks’ market-leading image and video processing technology, as we continue to enhance the quality of engagements with both prospective customers and partners. We are well positioned to further capitalize on this momentum and deliver continued year-over-year growth in Mobile and Video Delivery in the fourth quarter.”

Third Quarter 2018 Financial Results

Revenue in the third quarter of 2018 was $21.5 million, compared to $19.3 million in the second quarter of 2018 and $18.8 million in the third quarter of 2017. The sequential and year-over-year increase in third quarter revenue was driven by growth across all of the Company’s target end markets.

On a GAAP basis, gross profit margin in the third quarter of 2018 was 52.3%, compared to 49.5% in the second quarter of 2018 and 48.0% in the third quarter of 2017. Third quarter 2018 GAAP operating expenses were $10.8 million, compared to $12.0 million in the second quarter of 2018 and $13.4 million in the year-ago quarter.

For the third quarter of 2018, the Company recorded GAAP net income of $231,000, or $0.01 per diluted share, compared to a GAAP net loss of $2.6 million, or $(0.07) per share, in the second quarter of 2018 and a GAAP net loss of $4.7 million, or $(0.14) per share, in the year-ago quarter.

On a non-GAAP basis, third quarter 2018 gross profit margin was 54.7%, compared to 52.7% in the second quarter of 2018 and 54.9% in the year-ago quarter. Third quarter 2018 non-GAAP operating expenses were $8.9 million, compared to $10.0 million in the second quarter of 2018 and $8.9 million in the year-ago quarter. Operating expenses in the third quarter of 2018 included the recognition of approximately $1.8 million of anticipated offsets to R&D related to the Company’s co-development project with a large digital projector customer.

For the third quarter of 2018, the Company recorded non-GAAP net income of $2.5 million, or $0.07 per diluted share, compared to a non-GAAP net loss of $140,000, or $(0.00) per share, in the second quarter of 2018 and non-GAAP net income of $976,000, or $0.03 per diluted share, in the year-ago quarter. Adjusted EBITDA in the third quarter of 2018 was $3.8 million, compared to $1.1 million in the second quarter of 2018 and $2.3 million in the year-ago quarter.

Business Outlook

For the fourth quarter of 2018, Pixelworks expects revenue to be in a range of between $20 million and $21 million, reflecting typical seasonality in the digital projection market partially offset by continued year-over-year growth in the Company’s Mobile and Video Delivery businesses. Additional guidance will be provided as part of the Company’s earnings conference call.

Conference Call Information

Pixelworks will host a conference call today, November 1, 2018, at 2:00 p.m. Pacific Time, which can be accessed by calling 1-877-359-9508 and using passcode 3757089. 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, November 8, 2018, and can be accessed by calling 1-855-859-2056 and using passcode 3757089.

About Pixelworks, Inc.

Pixelworks creates, develops and markets high efficiency visual display processing and advanced video delivery solutions for the highest quality display and streaming applications. The Company has a 20-year history of delivering image processing innovation to providers of leading-edge consumer electronics and professional displays. Pixelworks is headquartered in San Jose, Calif. For more information, please visit the company’s Web site at www.pixelworks.com.

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 exclude deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, restructuring expenses, acquisition and integration expenses, gain on extinguishment of convertible debt, fair value adjustment on convertible debt conversion option and discount accretion on convertible debt fair value, which are all required under GAAP as well as the tax effect of the non-GAAP adjustments. The press release also makes reference to and reconciles GAAP net income (loss) and adjusted EBITDA, which Pixelworks defines as GAAP net income (loss) before interest income (expense) and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above.

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

In calculating the above non-GAAP results, management specifically adjusted for certain items related to the acquisition of ViXS Systems, Inc., including deferred revenue fair value adjustment, amortization of acquired intangible assets, impact of inventory step up, all related to fair valuing the items, acquisition and integration costs, restructuring expenses related to a reduction in workforce and facility closure and consolidations, gain on debt extinguishment, fair value adjustment on convertible debt conversion option, and accretion on convertible debt. Management considers these items as either limited in term or having no impact on Pixelworks’ cash flows, and therefore has excluded such items to facilitate a review of current operating performance and comparisons to our past operating performance.

Because the Company’s non-GAAP financial measures are not calculated in accordance with GAAP, they may not necessarily be comparable to similarly titled measures employed by other companies. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures, and should be read only in conjunction with the Company’s consolidated financial results as presented in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial measures is included in this earnings release which is available in the investor relations section of the Pixelworks' website.

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as “begin,” “continue,” “will,” “expect”, “believe,” “anticipate” and similar terms or the negative of such terms, and include, without limitation, statements about the Company’s digital projection, mobile and video delivery businesses, including market movement and demand, customer engagements, mobile wins and the timing thereof, growth in the mobile and video delivery markets, synergies and additional guidance. 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: whether the Company will be able to implement the restructuring programs as planned, whether the expected amount of the costs associated with the restructuring programs will differ from or exceed the Company's estimates and whether the Company will be able to realize the full amount of estimated savings from the restructuring programs or within the timeframe expected; our ability to execute on our strategy, including the integration of ViXS; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanded markets; current global economic challenges; changes in the digital display and projection markets; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially from those discussed in the forward-looking statements is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2017 as well as subsequent SEC filings.

The forward-looking statements contained in this release speak 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			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Revenue, net (1)	$ 21,472	$ 19,251	$ 18,758	$ 56,015	$ 62,189
Cost of revenue (2)	10,235	9,717	9,747	27,442	29,585
Gross profit	11,237	9,534	9,011	28,573	32,604
Operating expenses:					
Research and development (3)	5,322	6,423	5,325	16,208	14,732
Selling, general and administrative (4)	5,070	4,959	6,583	14,643	15,382
Restructuring	414	602	1,481	1,035	1,481
Total operating expenses	10,806	11,984	13,389	31,886	31,595
Income (loss) from operations	431	(2,450)	(4,378)	(3,313)	1,009
Interest income (expense) and other, net (5)	(112)	(131)	(528)	729	(728)
Income (loss) before income taxes	319	(2,581)	(4,906)	(2,584)	281
Provision (benefit) for income taxes	88	32	(200)	396	902
Net income (loss)	$ 231	$ (2,613)	$ (4,706)	$ (2,980)	$ (621)
Net income (loss) per share:					
Basic	$ 0.01	$ (0.07)	$ (0.14)	$ (0.08)	$ (0.02)
Diluted	$ 0.01	$ (0.07)	$ (0.14)	$ (0.08)	$ (0.02)
Weighted average shares outstanding:					
Basic	36,195	35,704	32,552	35,697	30,545
Diluted	37,993	35,704	32,552	35,697	30,545

(1) Includes deferred revenue fair value adjustment	$ 52	$ —	$ 25	$ 52	$ 25
(2) Includes:					
Amortization of acquired intangible assets	298	298	199	894	199
Inventory step-up and backlog amortization	97	239	1,016	458	1,016
Stock-based compensation	87	78	57	231	179
(3) Includes stock-based compensation	609	627	445	1,831	1,121
(4) Includes:					
Stock-based compensation	762	682	855	1,983	1,796
Amortization of acquired intangible assets	101	101	67	303	67
Acquisition and integration	—	—	1,611	—	2,505
(5) Includes:					
Gain on debt extinguishment	—	—	—	(1,272)	—
Fair value adjustment on convertible debt conversion option	—	—	122	—	122
Discount accretion on convertible debt fair value	—	—	72	69	72

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

	Three Months Ended			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	$ 11,237	$ 9,534	$ 9,011	$ 28,573	$ 32,604
Amortization of acquired intangible assets	298	298	199	894	199
Inventory step-up and backlog amortization	97	239	1,016	458	1,016
Stock-based compensation	87	78	57	231	179
Deferred revenue fair value adjustment	52	—	25	52	25
Total reconciling items included in gross profit	534	615	1,297	1,635	1,419
Non-GAAP gross profit	$ 11,771	$ 10,149	$ 10,308	$ 30,208	$ 34,023
Non-GAAP gross profit margin	54.7%	52.7%	54.9%	53.9%	54.7%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	$ 10,806	$ 11,984	$ 13,389	$ 31,886	$ 31,595
Reconciling item included in research and development:					
Stock-based compensation	609	627	445	1,831	1,121
Reconciling items included in selling, general and administrative:					
Stock-based compensation	762	682	855	1,983	1,796
Amortization of acquired intangible assets	101	101	67	303	67
Acquisition and integration	—	—	1,611	—	2,505
Restructuring	414	602	1,481	1,035	1,481
Total reconciling items included in operating expenses	1,886	2,012	4,459	5,152	6,970
Non-GAAP operating expenses	$ 8,920	$ 9,972	$ 8,930	$ 26,734	$ 24,625
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net income (loss)	$ 231	$ (2,613)	$ (4,706)	$ (2,980)	$ (621)
Reconciling items included in gross profit	534	615	1,297	1,635	1,419
Reconciling items included in operating expenses	1,886	2,012	4,459	5,152	6,970
Reconciling items included in interest expense and other, net	—	—	194	(1,203)	194
Tax effect of non-GAAP adjustments	(181)	(154)	(268)	(236)	157
Non-GAAP net income (loss)	$ 2,470	$ (140)	$ 976	$ 2,368	$ 8,119
Non-GAAP net income (loss) per share:					
Basic	$ 0.07	$ (0.00)	$ 0.03	$ 0.07	$ 0.27
Diluted	$ 0.07	$ (0.00)	$ 0.03	$ 0.06	$ 0.25
Non-GAAP weighted average shares outstanding:					
Basic	36,195	35,704	32,552	35,697	30,545
Diluted	37,993	35,704	34,656	37,634	32,632

*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						Nine Months Ended			
	September 30, 2018		June 30, 2018		September 30, 2017		September 30, 2018		September 30, 2017	
	Dollars per share		Dollars per share		Dollars per share		Dollars per share		Dollars per share	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of GAAP and non-GAAP net income (loss)										
GAAP net income (loss)	$ 0.01	$ 0.01	$ (0.07)	$ (0.07)	$ (0.14)	$ (0.14)	$ (0.08)	$ (0.08)	$ (0.02)	$ (0.02)
Reconciling items included in gross profit	0.01	0.01	0.02	0.02	0.04	0.04	0.05	0.04	0.05	0.04
Reconciling items included in operating expenses	0.05	0.05	0.06	0.06	0.14	0.13	0.14	0.14	0.23	0.21
Reconciling items included in interest expense and other, net	—	—	—	—	0.01	0.01	(0.03)	(0.03)	0.01	0.01
Tax effect of non-GAAP adjustments	(0.01)	—	—	—	(0.01)	(0.01)	(0.01)	(0.01)	0.01	—
Non-GAAP net income (loss)	$ 0.07	$ 0.07	$ 0.00	$ 0.00	$ 0.03	$ 0.03	$ 0.07	$ 0.06	$ 0.27	$ 0.25

*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			Nine Months Ended	
	September 30, 2018	**June 30, 2018**	**September 30, 2017**	**September 30, 2018**	**September 30, 2017**
Reconciliation of GAAP and non-GAAP gross profit margin					
GAAP gross profit margin	52.3%	49.5%	48.0%	51.0%	52.4%
Amortization of acquired intangible assets	1.4	1.5	1.1	1.6	0.3
Inventory step-up and backlog amortization	0.5	1.2	5.4	0.8	1.6
Stock-based compensation	0.4	0.4	0.3	0.4	0.3
Deferred revenue fair value adjustment	0.2	—	0.1	0.1	—
Total reconciling items included in gross profit	2.5	3.2	6.9	2.9	2.3
Non-GAAP gross profit margin	54.7%	52.7%	54.9%	53.9%	54.7%

*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			Nine Months Ended	
	September 30, 2018	June 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Reconciliation of GAAP net income (loss) and adjusted EBITDA					
GAAP net income (loss)	$ 231	$ (2,613)	$ (4,706)	$ (2,980)	$ (621)
Stock-based compensation	1,458	1,387	1,357	4,045	3,096
Restructuring	414	602	1,481	1,035	1,481
Amortization of acquired intangible assets	399	399	266	1,197	266
Inventory step-up and backlog amortization	97	239	1,016	458	1,016
Amortization of deferred revenue fair value adjustment	52	—	25	52	25
Tax effect of non-GAAP adjustments	(181)	(154)	(268)	(236)	157
Gain on debt extinguishment	—	—	—	(1,272)	—
Discount accretion on convertible debt fair value	—	—	72	69	72
Acquisition and integration	—	—	1,611	—	2,505
Fair value adjustment on convertible debt conversion option	—	—	122	—	122
Non-GAAP net income (loss)	$ 2,470	$ (140)	$ 976	$ 2,368	$ 8,119
EBITDA adjustments:					
Depreciation and amortization	$ 933	$ 923	$ 900	$ 2,682	$ 2,714
Non-GAAP Interest expense and other, net	112	131	334	474	534
Non-GAAP provision for income taxes	269	186	68	632	745
Adjusted EBITDA	$ 3,784	$ 1,100	$ 2,278	$ 6,156	$ 12,112

*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)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 18,057	$ 27,523
Short-term marketable securities	6,069	—
Accounts receivable, net	5,771	4,640
Inventories	3,041	2,846
Prepaid expenses and other current assets	1,762	1,328
Total current assets	34,700	36,337
Property and equipment, net	5,062	5,605
Other assets, net	1,312	1,338
Acquired intangible assets, net	4,607	5,856
Goodwill	18,407	18,407
Total assets	$ 64,088	$ 67,543
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,187	$ 1,436
Accrued liabilities and current portion of long-term liabilities	13,814	16,387
Current portion of income taxes payable	251	445
Total current liabilities	16,252	18,268
Long-term liabilities, net of current portion	883	1,487
Convertible debt	—	6,069
Income taxes payable, net of current portion	2,300	2,282
Total liabilities	19,435	28,106
Shareholders' equity	44,653	39,437
Total liabilities and shareholders' equity	$ 64,088	$ 67,543

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

Company Contact
Pixelworks, Inc.
Steven Moore
P: +1-408-200-9221
E: smoore@pixelworks.com

Exhibit 99.2

Pixelworks, Inc. Q3 2018 Conference Call
November 1, 2018

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s third quarter 2018 earnings conference call. I will be your operator for today's call. At this time, all participants are in a listen-only mode. Following management's prepared remarks, we will conduct a question-and-answer session. This conference call is being recorded for replay purposes. I would now like to turn the call over to Pixelworks' CFO, Mr. Steve Moore. Please begin…

Steve Moore

Good afternoon and thank you for joining us today. 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 our press release issued earlier today announcing the Company's financial results for the third quarter 2018.

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

All forward-looking statements are based on the Company's beliefs as of today, Thursday, November 1, 2018, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

Additionally, the Company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including gross margin, operating expenses, net income/loss, and net income/loss per share. These non-GAAP measures exclude deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, stock-based compensation expense, restructuring expenses, discount accretion on convertible debt fair value, extinguishment of convertible debt, fair value adjustment on convertible debt conversion option and acquisition and integration costs. With the exception of stock-based compensation, all of these adjusting items are related to the acquisition and integration of ViXS Systems. We use these non-GAAP measures internally to assess our operating performance. The Company believes these non-GAAP measures provide a meaningful perspective on our core operating results and underlying cash flow dynamics, but we caution investors to consider these measures in addition to, not as a substitute for, nor superior to, the Company's consolidated financial results as presented in accordance with GAAP.

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

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

Todd DeBonis

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

As reported in today's press release, consolidated third quarter revenue was up over 11% sequentially and grew more than 14% year-over-year to $21.5 million, reflecting growth across all three of our end markets. Gross margin and earnings per share were both at the high-end of our guidance range, with gross margin expanding 200 basis points sequentially to 54.7%, and EPS improving by $0.07 over the prior quarter. In addition to delivering on our commitment of ViXS being accretive to earnings in the third quarter, we were profitable on both a GAAP and a non-GAAP basis - and we generated over $3.5 million in cash flow from operations.

Turning to updates on each of our end markets, and starting with our core Digital Projector business. Consistent with seasonal trends in the Projector market, revenue was up mid-single digits in the third quarter, which followed the significant sequential growth we reported in the second quarter. Customer demand and order patterns were broadly spread across several major accounts, and channel inventories remained relatively lean exiting the quarter.

Additionally, we recently completed the final development milestone on our co-development agreement with our large projector customer, resulting in recognition of nearly all of the remaining $2M offset to R&D expenses during the third quarter. I'm proud of our team's solid execution on this multi-year development project, which generates sustainable long-term business from our co-development customer as well as intellectual property that can be leveraged across multiple other projectors customers. I want to emphasize that while we remain on track to release this next-generation Projector SoC for production by the end of this year, we anticipate our customer's transition to this new chip across their product portfolio will be gradual and take place over the course of 2019 and into 2020.

Turning to Video Delivery - We had a very strong quarter with revenue growing 70% sequentially. As expected, this strength was primarily driven by the ramp in shipments of our XCode transcoders to consumer electronics OEMs in advance of the anticipated TV broadcast transition in Japan. As a result of this growth combined with our previous actions to streamline this business, the Video Delivery business was accretive to earnings in the third quarter.

As discussed on prior calls, Pixelworks is well positioned on multiple customer programs in Japan that incorporate our XCode family of processors in their next-generation consumer devices. Specific to the anticipated roll-out of the new TV broadcast standard in Japan, which supports over-the-air Terrestrial Broadcast in 4K and HDR quality, Pixelworks' advanced decoding and transcoding SoCs are designed into a series of both converter boxes as well as full PVR-BD set-top-boxes. This broadcast transition is scheduled to go-live in December of this year, and our customers expect it to result in a meaningful upgrade cycle - as Japanese consumers, especially those that have existing 4K TVs, purchase compatible new equipment in order to view the higher-quality broadcast signal. In anticipation of this demand, our customers have announced a combination of converter boxes and full featured set-top-box devices utilizing one or more XCode processors, that will start shipping this month.

The second area of focus in our video delivery business is the over-the-air broadcast, or OTA market, primarily here in the U.S. As highlighted on our conference call last quarter, our transcoding SoCs continue to be designed into new OTA streaming products, such as the AirTV and Nuvyyo's Tablo family of OTA and OTA DVR solutions.

In September, AirTV launched and added "Local Channels DVR" functionality for both new and existing AirTV customers, which is powered by Pixelworks' transcoding technology. This new feature allows users to watch live and recorded local channels both inside and outside of the home, with no monthly subscription required. In addition to enabling the DVR recording and playback functionality on the AirTV device, our proprietary transcoding technology provides a number of critical benefits, including preserving the HD picture quality of the recorded content, optimizing the bandwidth needed for wireless streaming to connected display devices, and also reducing the storage capacity required to save recorded HD-quality content.

More broadly, there continues to be a growing market for alternative video platforms that incorporate the ability to access, stream and record OTA broadcast content. As evidence, both TiVo and Amazon recently launched new devices that support OTA functionality. Although we believe that neither of these devices match the performance of Pixelworks' transcoding technology, they each serve as further validation of the broader market opportunity, while helping to increase the awareness of OTA among consumers.

In fact, as a key enabler of OTA streaming devices with our leading transcoding technology, Pixelworks is actively pursuing innovative ways to educate and promote consumer awareness for OTA solutions. During the quarter, we announced Pixelworks' collaboration with a group of leading innovators in video display and delivery to launch a shared branding initiative, called FlexVu. As a growing number of consumers cut-the-cord on traditional cable and satellite subscriptions, the shared objective of the initiative is to promote and help consumers select the most seamless and high-performance cord-cutting solutions. By simplifying the ecosystem and enhancing the over-the-air (OTA) and over-the-top (OTT) video experience for consumers, we believe Pixelworks and our FlexVu partners will collectively benefit from increased awareness and adoption of best-in-class OTA solutions.

Shifting to Mobile - We demonstrated notable traction during the quarter, with revenue growing 33% sequentially and 400% year-over-year, driven by increased volume production orders of Iris mobile processors. Although still building from a relatively small base, the trend is significant - as we delivered our fourth consecutive quarter of revenue growth in Mobile.

Since our Q2 conference call, we've announced three wins on newly launched smartphones. First, in September ZTE launched its Axon 9 Pro smartphone incorporating our 3rd generation Iris processor, featuring Pixelworks' industry leading MEMC (or motion estimation, motion compensation) processing technology.

Then, in October Nokia launched the Nokia 7.1, becoming the first smartphone to incorporate Pixelworks' 4th generation Iris processor together with Qualcomm's 636 apps processor. In addition to fully leveraging our most advanced SDR2HDR technology, our 4th generation Iris enabled the Nokia 7.1 to join the exclusive list of devices that are HDR certified by Amazon. Most notably about the 7.1 is that it incorporates flagship quality display technology, while being priced and positioned as a mid-tier global smartphone. More specifically, the Nokia 7.1 serves as commercial validation of the expanded SAM opportunity for Pixelworks' mobile processing technology in mid-tier smartphones - conservatively, this effectively doubles the previously addressable unit potential of the flagship market segment.

Most recently, we announced that Xiaomi-backed Black Shark had incorporated Pixelworks' 3rd generation Iris processor into the Black Shark Helo, their latest smartphone targeted for avid gamers. Following the significant notoriety and demand received on their inaugural gaming phone, Black Shark's decision to again choose Pixelworks for its newest generation smartphone is testament to the value proposition of our advanced image and video processing technology as well as the extensive product/engineering support that we provide our mobile customers. Unique to the Black Shark Helo is a recently expanded capability we now offer with our 3rd generation processor, which enables Always-HDR mode. Previously only available on our 4th generation, this capability adds Pixelworks' proprietary real-time SDR-to-HDR conversion technology to the features offered in 3rd generation Iris.

Our growing number of announced wins is driving increased customer interest in Pixelworks' industry leading display processing technology, which is materializing in the expansion and quality of our pipeline. As part of our targeted sales approach, we are increasingly pursuing targeted opportunities on more mid-tier smartphones, with the Nokia 7.1 serving as the first proof-point of our initial success.

Additionally, subsequent to quarter-end we announced the appointment of Peter Carson as the new Vice President of Marketing, for Mobile. Peter is a true industry veteran, most recently holding multiple influential product marketing roles at Qualcomm. He brings an extensive track record of wireless and mobile semiconductor experience to our existing team, and I look forward to Peter spearheading our efforts to further increase the prominence of Pixelworks' brand and technology in the mobile market.

As a final note, we are continuously advancing our mobile product roadmap, and we are currently scheduled to tape-out our 5th generation Iris mobile processor before the end of the year - I look forward to more formally introducing this new product in early 2019.

Concluding Remarks

To close out my prepared remarks, our strong third quarter financials were complemented by increased market traction in Mobile and Video Delivery, including a series of wins on newly launched customer products and features. We continue to expand both the number, and more importantly the quality, of our customer engagements in support of sustainable long-term growth. As our leading image and video-centric processing and delivery solutions are incorporated into a larger number of consumer products, the prominence associated with Pixelworks' technology will continue to grow, leading to further adoption and increased momentum.

In the fourth quarter, we expect to deliver continued year-over-year revenue growth, with strength in our Mobile and Video Deliver businesses being offset by seasonality in the Project market.

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

Steve Moore

Thank you, Todd.

Revenue for the third quarter of 2018 was $21.5 million, which reflected a combination of seasonal growth in our digital projector business, expanded shipments of Iris mobile processors in support of new smartphone launches, and a ramp in shipments of XCode transcoding chips to OEM customers in Japan. For comparison, revenue in the second quarter of 2018 was $19.3 million and in the third quarter of 2017 was $18.8 million.

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

Revenue from Digital Projector was approximately $17.0 million.

Mobile revenue was approximately $1.0 million.

And revenue from Video Delivery was approximately $3.5 million.

Non-GAAP gross profit margin was 54.7% in the third quarter of 2018, compared to 52.7% in the second quarter of 2018 and 54.9% in the third quarter of 2017.

Non-GAAP operating expenses were $8.9 million in the third quarter of 2018, compared to $10.0 million in the second quarter of 2018 and $8.9 million in the third quarter of 2017. Note, lower operating expenses in both the third quarter of 2018 and the third quarter of 2017 reflected the recognition of approximately $1.8 million and $1.3 million, respectively, of offsets to R&D associated with our co-development project with a large projector customer.

Adjusted EBITDA was $3.8 million for the third quarter of 2018, compared to $1.1 million in the second quarter of 2018 and $2.3 million in the third quarter of 2017. A reconciliation of adjusted EBITDA to GAAP net income/loss may be found in today's press release.

We reported non-GAAP net income of $2.5 million, or 7 cents per diluted share, in the third quarter of 2018, compared to a non-GAAP net loss of $140,000, or breakeven on a per share basis, in the prior quarter, and non-GAAP net income of $976,000, or 3 cents per diluted share, in the third quarter of 2017.

Moving to the balance sheet, we ended the third quarter with cash, cash equivalents and short-term investments of approximately $24.1 million, an increase of nearly $4.0 million from the prior quarter - largely driven by cash from operations.

Other balance sheet metrics include day’s sales outstanding of 24 days at quarter-end, compared with 31 days at the end of the second quarter 2018. Inventory turns during the third quarter of 2018 were 12.9 times, compared to 13.7 times in the prior quarter.

Our guidance for the fourth quarter of 2018 is as follows:

We expect revenue to be in a range of between $20 million and $21 million, reflecting typical seasonality in the digital projection market partially offset by continued year-over-year growth in Mobile and Video Delivery. Q4 revenue includes approximately $1.5 million in planned End of Life projector revenue.

We expect non-GAAP gross profit margin of between 53% and 55%.

For operating expenses, we expect the fourth quarter to range between $9.5 million and $10.5 million on a non-GAAP basis. Our expectations for operating expenses in the fourth quarter of 2018 include the anticipated recognition of approximately $200,000 of offsets to R&D related to our co-development project with a large digital projector customer. We expect the offset to R&D in the fourth quarter to be the last offset associated with the current co-development agreement.

And finally, we expect fourth quarter non-GAAP earnings per share to be in the range of between breakeven and 4 cents per diluted share.

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