

**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 7, 2023

**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 November 7, 2023, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and nine month periods ended September 30, 2023 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 7, 2023 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 November 7, 2023.</a>
99.2	<a href="#">Pixelworks, Inc. Third Quarter Results Conference Call Script dated November 7, 2023.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

**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 7, 2023

/s/ Haley F. Aman

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Haley F. Aman  
*Chief Financial Officer*



## Pixelworks Reports Third Quarter 2023 Financial Results

*Total Revenue Increased 18% Sequentially, Driven by Record Quarterly Mobile Revenue*

*Anticipates 25% Sequential Growth in Fourth Quarter at Midpoint*

**PORTLAND, Ore., November 7, 2023** – Pixelworks, Inc. (NASDAQ: PXLW), a leading provider of innovative video and display processing solutions, today announced financial results for the third quarter ended September 30, 2023.

### Third Quarter and Recent Highlights

- Total revenue increased 18% sequentially, in line with previously announced preliminary results
- Mobile revenue increased 20% sequentially and 37% year-over-year, reaching a record 52% of total revenue
- Home and Enterprise revenue increased 16% sequentially, reflecting seasonal upside in the projector market
- Hosted well attended inaugural Mobile Visual Computing Event in Shenzhen, China, highlighted by the unveiling of Pixelworks' latest X7 Gen 2 mobile visual processor
- OPPO affiliate, realme, launched the realme GT5 smartphone with Pixelworks the X7 visual processor, featuring ultra-low latency MotionEngine® (MEMC), low power super-resolution and always-on HDR
- Xiaomi's Redmi K60 Ultra and the OnePlus Ace2 Pro flagship smartphones were each formally launched incorporating both Pixelworks' X7 visual processor and unique IRX Gaming Experience device certification
- Partnered with leading game developer NetEase to integrate Pixelworks' Rendering Accelerator SDK in the flagship mobile game, Revelation Mobile, enabling exceptional 120fps visual gaming experience
- Announced collaboration with Perfect World Games and the integration of Pixelworks' Rendering Accelerator SDK in Persona 5: The Phantom X ("P5X"), enhancing the game's visual display and immersive experience
- Recognized with 'Supplier of the Year' award by Seiko Epson for Pixelworks' reliable performance and timely fulfillment of order demand during the recent semiconductor and projector component supply shortages

"Consistent with our announced preliminary third quarter revenue, we delivered solid third quarter results driven by continued sequential growth and record revenue in our mobile business as well as seasonally stronger demand in the home and enterprise market," stated Todd DeBonis, President and CEO of Pixelworks. "Concurrent with mobile growing to represent 52% of total revenue, our initial actions to pass through previously absorbed supplier costs more broadly across our end markets contributed to gross margin expanding by 260-basis points sequentially.

“During the quarter, we received very positive responses to our newly introduced IRX gaming experience branding and certification program. The launch of the first IRX-certified smartphone models was well received by the market, with demand for multiple phones exceeding customers’ expected unit volumes. We also continued to execute on our strategy to facilitate a cooperative mobile gaming ecosystem, and today we are engaged in ongoing collaborations with three of the top global gaming studios. More recently, we completed two notable milestones with the formal launch of our latest X7 Gen 2 visual processor as part of the first Pixelworks-hosted Mobile Visual Computing event. Unique to the X7 Gen 2 processor is the incorporation of our internally developed AI-based super resolution, which dramatically improves image rendering efficiency. The first customer smartphone featuring our newest mobile processor is scheduled to be launched early next year.

“Despite recently heightened macro uncertainty, including indications of weaker global demand and a slower ongoing recovery in China, we remain confident about near-term outlook for sustained mobile growth and overall margin expansion. Our current order backlog for mobile visual processors fully supports achieving continued double-digit sequential growth in mobile as well as year-over-year top-line growth in the fourth quarter.”

### **Third Quarter Fiscal 2023 Financial Results**

Revenue in the third quarter of 2023 was \$16.0 million, compared to \$13.6 million in the second quarter of 2023 and \$17.6 million in the third quarter of 2022. The sequential increase in quarterly revenue was driven by strong continued growth in Pixelworks’ mobile business as well as seasonally higher demand in the home and enterprise market. The year-over-year decline in third quarter revenue primarily reflected lower revenue contribution from the Company’s home and enterprise business, which was partly offset by strong growth and record revenue contribution in the mobile market.

On a GAAP basis, gross profit margin in the third quarter of 2023 was 42.9%, compared to 40.3% in the second quarter of 2023 and 50.1% in the third quarter of 2022. Third quarter 2023 GAAP operating expenses were \$14.5 million, compared to \$12.0 million in the second quarter of 2023 and \$13.5 million in the year-ago quarter.

On a non-GAAP basis, third quarter 2023 gross profit margin was 43.1%, compared to 40.5% in the second quarter of 2023 and 49.8% in the year-ago quarter. Third quarter 2023 non-GAAP operating expenses were \$13.3 million, compared to \$10.7 million in the second quarter of 2023 and \$12.2 million in the year-ago quarter.

For the third quarter of 2023, the Company recorded a GAAP net loss of \$7.0 million, or (\$0.12) per share, compared to a GAAP net loss of \$6.0 million, or (\$0.11) per share, in the second quarter of 2023, and a GAAP net loss of \$4.5 million, or (\$0.08) per share, in the year-ago quarter. Note, the Company refers to “net loss attributable to Pixelworks, Inc.” as “net loss”.

For the third quarter of 2023, the Company recorded a non-GAAP net loss of \$5.7 million, or (\$0.10) per share, compared to a non-GAAP net loss of \$4.8 million, or (\$0.09) per share, in the second quarter of 2023, and a non-GAAP net loss of \$3.2 million, or (\$0.06) per share, in the third quarter of 2022.

Adjusted EBITDA in the third quarter of 2023 was a negative \$5.0 million, compared to a negative \$4.0 million in the second quarter of 2023 and a negative \$2.1 million in the year-ago quarter.

Cash and cash equivalents at the end of the third quarter of 2023 were \$50.3 million, compared to \$54.5 million at the end of the second quarter of 2023 and \$57.6 million at the end of the third quarter of 2022.

## **Business Outlook**

The Company's current business outlook, including guidance for the fourth quarter of 2023, will be discussed as part of the scheduled conference call.

## **Conference Call Information**

Pixelworks will host a conference call today, November 7, 2023, at 2:00 p.m. Pacific Time. To join the conference call via phone, participants are required to complete the following registration form to receive a dial-in number and dedicated PIN for accessing the conference call. Additionally, a live and archived audio webcast of the conference call will be accessible via the investors section of Pixelworks' website at [www.pixelworks.com](http://www.pixelworks.com).

## **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, MotionEngine and the Pixelworks logo are 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 and stock-based compensation expense which are 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 (benefit), 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 market conditions for our products, particularly for the smartphone market, and about anticipated launch dates. 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: the actual performance of the smartphone market throughout 2023 and into 2024; our ability to execute on our strategy; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanding markets; current global economic challenges; changes in the digital display and projection markets; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; and our limited financial resources; 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 its Annual Report on Form 10-K for the year ended December 31, 2022, 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			Nine Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue, net	\$ 16,032	\$ 13,605	\$ 17,552	\$ 39,603	\$ 53,258
Cost of revenue (1)	9,150	8,121	8,756	22,870	26,351
Gross profit	6,882	5,484	8,796	16,733	26,907
Operating expenses:					
Research and development (2)	8,752	6,507	8,445	23,925	24,126
Selling, general and administrative (3)	5,776	5,468	5,082	17,316	16,590
Total operating expenses	14,528	11,975	13,527	41,241	40,716
Loss from operations	(7,646)	(6,491)	(4,731)	(24,508)	(13,809)
Interest income and other, net	471	473	165	1,615	428
Loss before income taxes	(7,175)	(6,018)	(4,566)	(22,893)	(13,381)
Provision (benefit) for income taxes	158	126	(70)	318	245
Net loss	(7,333)	(6,144)	(4,496)	(23,211)	(13,626)
Less: Net (income) loss attributable to non-controlling interests and redeemable non-controlling interests	334	107	—	779	(470)
Net loss attributable to Pixelworks Inc.	\$ (6,999)	\$ (6,037)	\$ (4,496)	\$ (22,432)	\$ (14,096)
Net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.12)	\$ (0.11)	\$ (0.08)	\$ (0.40)	\$ (0.26)
Weighted average shares outstanding - basic and diluted	56,410	55,917	54,826	55,917	54,120
(1) Includes:					
Stock-based compensation	21	22	(47)	67	20
Amortization of acquired intangible assets	—	—	—	—	72
(2) Includes stock-based compensation	452	527	565	1,470	1,795
(3) Includes:					
Stock-based compensation	779	710	776	2,140	2,223
Amortization of acquired intangible assets	—	—	—	—	18



**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, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Reconciliation of GAAP and non-GAAP gross profit</b>					
GAAP gross profit	\$ 6,882	\$ 5,484	\$ 8,796	\$ 16,733	\$ 26,907
Stock-based compensation	21	22	(47)	67	20
Amortization of acquired intangible assets	—	—	—	—	72
Total reconciling items included in gross profit	21	22	(47)	67	92
Non-GAAP gross profit	\$ 6,903	\$ 5,506	\$ 8,749	\$ 16,800	\$ 26,999
Non-GAAP gross profit margin	43.1 %	40.5 %	49.8 %	42.4 %	50.7 %
<b>Reconciliation of GAAP and non-GAAP operating expenses</b>					
GAAP operating expenses	\$ 14,528	\$ 11,975	\$ 13,527	\$ 41,241	\$ 40,716
Reconciling item included in research and development:					
Stock-based compensation	452	527	565	1,470	1,795
Reconciling items included in selling, general and administrative:					
Stock-based compensation	779	710	776	2,140	2,223
Amortization of acquired intangible assets	—	—	—	—	18
Total reconciling items included in operating expenses	1,231	1,237	1,341	3,610	4,036
Non-GAAP operating expenses	\$ 13,297	\$ 10,738	\$ 12,186	\$ 37,631	\$ 36,680
<b>Reconciliation of GAAP and non-GAAP net loss attributable to Pixelworks, Inc.</b>					
GAAP net loss attributable to Pixelworks Inc.	\$ (6,999)	\$ (6,037)	\$ (4,496)	\$ (22,432)	\$ (14,096)
Reconciling items included in gross profit	21	22	(47)	67	92
Reconciling items included in operating expenses	1,231	1,237	1,341	3,610	4,036
Tax effect of non-GAAP adjustments	—	—	1	—	(3)
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (5,747)	\$ (4,778)	\$ (3,201)	\$ (18,755)	\$ (9,971)
Non-GAAP net loss attributable to Pixelworks Inc. per share - basic and diluted	\$ (0.10)	\$ (0.09)	\$ (0.06)	\$ (0.34)	\$ (0.18)
Non-GAAP weighted average shares outstanding - basic and diluted	56,410	55,917	54,826	55,917	54,120

\*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, 2023		June 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022			
	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.	\$ (0.12)	\$ (0.12)	\$ (0.11)	\$ (0.11)	\$ (0.08)	\$ (0.08)	\$ (0.40)	\$ (0.40)	\$ (0.26)	\$ (0.26)		
Reconciling items included in gross profit	—	—	—	—	—	—	—	—	—	—		
Reconciling items included in operating expenses	0.02	0.02	0.02	0.02	0.02	0.02	0.06	0.06	0.07	0.07		
Non-GAAP net loss attributable to Pixelworks Inc.	<u>\$ (0.10)</u>	<u>\$ (0.10)</u>	<u>\$ (0.09)</u>	<u>\$ (0.09)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.34)</u>	<u>\$ (0.34)</u>	<u>\$ (0.18)</u>	<u>\$ (0.18)</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			Nine Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Reconciliation of GAAP and non-GAAP gross profit margin</b>					
GAAP gross profit margin	42.9 %	40.3 %	50.1 %	42.3 %	50.5 %
Stock-based compensation	0.1	0.2	(0.3)	0.2	—
Amortization of acquired intangible assets	—	—	—	—	0.1
Total reconciling items included in gross profit	0.1	0.2	(0.3)	0.2	0.2
Non-GAAP gross profit margin	<u>43.1 %</u>	<u>40.5 %</u>	<u>49.8 %</u>	<u>42.4 %</u>	<u>50.7 %</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			Nine Months Ended	
	September 30, 2023	June 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
<b>Reconciliation of GAAP net loss attributable to Pixelworks Inc. and adjusted EBITDA</b>					
GAAP net loss attributable to Pixelworks Inc.	\$ (6,999)	\$ (6,037)	\$ (4,496)	\$ (22,432)	\$ (14,096)
Stock-based compensation	1,252	1,259	1,294	3,677	4,038
Tax effect of non-GAAP adjustments	—	—	1	—	(3)
Amortization of acquired intangible assets	—	—	—	—	90
Non-GAAP net loss attributable to Pixelworks Inc.	\$ (5,747)	\$ (4,778)	\$ (3,201)	\$ (18,755)	\$ (9,971)
<b>EBITDA adjustments:</b>					
Depreciation and amortization	\$ 1,053	\$ 1,077	\$ 1,324	\$ 3,211	\$ 3,490
Non-GAAP interest income and other, net	(471)	(473)	(165)	(1,615)	(428)
Non-GAAP provision (benefit) for income taxes	158	126	(71)	318	248
Adjusted EBITDA	\$ (5,007)	\$ (4,048)	\$ (2,113)	\$ (16,841)	\$ (6,661)

\*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, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 50,318	\$ 56,821
Accounts receivable, net	10,165	10,047
Inventories	5,905	1,760
Prepaid expenses and other current assets	2,307	3,745
Total current assets	68,695	72,373
Property and equipment, net	6,562	4,632
Operating lease right of use assets	5,365	3,331
Other assets, net	2,145	3,580
Goodwill	18,407	18,407
Total assets	\$ 101,174	\$ 102,323
<b>LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 4,356	\$ 3,143
Accrued liabilities and current portion of long-term liabilities	10,203	8,849
Current portion of income taxes payable	138	519
Total current liabilities	14,697	12,511
Long-term liabilities, net of current portion	1,645	1,005
Deposit liability	13,227	13,537
Operating lease liabilities, net of current portion	3,043	2,148
Income taxes payable, net of current portion	951	872
Total liabilities	33,563	30,073
Redeemable non-controlling interest	27,398	28,919
Total Pixelworks, Inc. shareholders' equity	16,227	32,422
Non-controlling interest	23,986	10,909
Total shareholders' equity	40,213	43,331
Total liabilities, redeemable non-controlling interest and shareholders' equity	\$ 101,174	\$ 102,323

**Contacts:**

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**Pixelworks, Inc. 3Q 2023 Conference Call**  
**Tuesday, November 7, 2023**

**Operator**

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s third quarter 2023 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 with Shelton Group Investor Relations.

**Brett Perry**

Good afternoon and thank you for joining today's call. With me on the call are 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 third quarter of 2023.

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, Tuesday, November 7, 2023. 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, the Company's annual report on Form 10-K for the year ended December 31, 2022, 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 and stock-based compensation expense as well as the tax effect of the non-GAAP adjustments.

The Company uses these non-GAAP measures internally to assess its 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, please refer to the Company's press release issued earlier today.

With that, I will now turn the call over to Pixelworks' CEO, Todd DeBonis, for his opening remarks.

**Todd DeBonis**

Thank you, Brett, and good afternoon and welcome to everyone joining us on today's call.

Consistent with the preliminary third quarter revenue we announced in early October, we had solid third quarter results with all financial metrics coming in at or better than the midpoint of guidance. Total revenue increased 18% sequentially, driven by record quarterly revenue in our mobile business as well as seasonally stronger demand in the home and enterprise market. As planned, during the quarter we began passing through previously absorbed supplier costs more broadly across our end markets, which contributed to gross margin expanding 260-basis points sequentially. We also successfully managed OpEx for the quarter, especially given the significant number of product and ecosystem initiatives we currently have underway in support of future growth.

Turning to our end markets. Mobile revenue increased 20% sequentially and 37% year-over-year, achieving a new quarterly record and contributing a record 52% of total revenue. During the quarter, we received positive responses to our newly introduced IRX gaming experience branding and certification program. The launch of the first IRX-certified smartphone models were well received by the market, with demand for these models exceeding customers' expected unit volumes.

Among these were the two new smartphones that had just been pre-announced, and which we previewed on our previous conference call – as a reminder, these were Xiaomi’s Redmi K60 Ultra and the OnePlus Ace2 Pro. Both of these premium smartphones incorporate Pixelworks’ X7 visual processor and have contributed to our recent revenue growth.

Also launched during the quarter, incorporating both our X7 visual processor and IRX-certification, was the realme GT5 smartphone. Built on Qualcomm’s Snapdragon 8 Gen 2 platform, the realme GT5 features a 6.74-inch flat display with narrow bezels, supporting up to 144Hz refresh rate and 2K dimming. With its integration of our X7 processor, this phone leverages all of Pixelworks’ core visual processing technology, including our ultra-low latency MotionEngine, low power super-resolution and always-on HDR – resulting in enhanced visual performance and optimized picture quality for both gaming and video content.

As part of our ongoing strategic initiative to facilitate a cooperative mobile gaming ecosystem, we recently disclosed our latest collaborations with two of the world’s largest mobile game studios. In August, we announced Perfect World Games had incorporated Pixelworks’ Rendering Accelerator SDK in the mobile game, Persona 5: The Phantom X, more commonly referred to as P5X. Then, in September we announced our partnership with NetEase’s game studio, Thunderfire Business Group, and the integration of our SDK in the newest release of Revolution Mobile, based on the original flagship game Revolution. When played on a smartphone equipped with one of our X7-series visual processors, the integration of our SDK Rendering Accelerator serves as a connecting bridge, enabling these games to be played at the display’s full resolution and an immersive 120 frames per second while significantly lowering system power over native rendering.

More recently, in October we completed two notable milestones with the formal launch of our latest X7 Gen 2 mobile visual processor, which we unveiled as part of the first Pixelworks-hosted Mobile Visual Computing event in Shenzhen, China. In addition to being an opportunity to promote the launch of our latest mobile visual processor, the event itself was centered around what we believe to be the future of mobile visual processing and advanced mobile gaming. Endorsing and adding to the event’s recognition, the Vice President of Perfect World Games was the keynote speaker. This was followed by customer acknowledgments and then members of the Pixelworks team presenting the benefits of our ecosystem-based distributed processor architecture. Attendees of this inaugural event also had the opportunity to experience live demos of five IRX-certified mobile games.

With regards to our new X7 Gen 2, this latest visual processor takes picture quality to a new level. In order to achieve this performance, we incorporated new internally developed, AI-based Super Resolution technology that utilizes our self developed neural network processing. Our X7 Gen 2 enables more accurate upscaling and rendering of gaming content while maintaining power efficiency. The overall feature set of our new Gen 2 processor is different from its X7 predecessor, however both chips incorporate Pixelworks’ industry leading Ultra-Low Latency MotionEngine (MEMC) as well as our other core visual and picture quality enhancement capabilities.

Looking ahead to the fourth quarter and into next year, there are three primary drivers that underpin our current expectations for sustained year-over-year growth in mobile. The first is to quickly scale the growth of the gaming ecosystem that we’ve established with leading mobile gaming studios. We are working with new and existing studios and are targeting a 400% increase in announced games by the end of 2024. Together with the successful launch of our IRX gaming brand and certification, which is designed to increase awareness as well as simplify the evaluation and purchase decision for consumer gamers, Pixelworks is positioned to drive expanded adoption of our mobile visual processing solutions.

The second growth driver for mobile is our expanded product portfolio and roadmap. Our new X7 Gen 2 visual processor when combined with Pixelworks’ Rendering Accelerator SDK provides a unique value proposition in the form of rendering efficiency and superior cinematic gaming experience. The first production volume shipments are scheduled to begin this month in support of a customer’s planned phone launch in the first quarter of 2024.

Lastly, another growth opportunity our team has been focused on is expansion within our existing tier-one handset customers into international models sold outside of China. We have secured our first design in on an existing customer’s planned international model that is scheduled to be launched early next year. To the extent we can leverage this win into additional international models with one or more tier-one customers, it would represent continued momentum in the mid- to later-half of next year.

Turning to an update on our TrueCut Motion platform. Our focus throughout much of this year has been on securing a select group of commercial engagements to complete the initial foundation for bringing together a larger supportive ecosystem. As discussed in the past, building an ecosystem takes time and is a dynamic process.

Despite the distraction of the recent Hollywood strikes for many industry executives and decision makers, we have continued to demonstrate our TrueCut Motion platform to influential creatives across the filmmaking community, including a growing number of directors, cinematographers, and colorists. Additionally, we are seeing increased interest from global theatrical



exhibitors with business strategies centered around delivering a premium experience. This not only includes growing demand for new premium large format content, but also the re-release of remastered classic or catalogue titles in superior formats. With this push toward premium experiences featuring higher resolution and HDR content, there is strong and growing acceptance that adoption of cinematic high frame rate is needed to deliver PLF theatrical and home entertainment content without undesirable artifacts.

Next, in on our Home and Enterprise business, which as a reminder now predominantly consists of our visual processor SoCs for the digital projector market. Revenue increased sequentially as expected, primarily reflecting typical positive seasonality for projector order shipments in the third quarter. Although the sequential uptick in demand is an encouraging indication of normalization, the broader projector market is continuing to work through an inventory correction in response to more subdued end demand and macro uncertainty.

Following the industry's extended period of supply chain constraints, projector OEMs are continuing to adjust their build forecasts and buffer inventories to reconcile previous supply and demand imbalances. Feedback from customers suggests that conditions have begun to normalize, however it will likely be next year before the industry achieves a more sustainable balance between supply and demand.

In speaking about supply chains, I want to briefly highlight the recent recognition we received from our largest projector customer. In September, Epson presented Pixelworks with its "Supplier of the Year" award for their fiscal 2022. Similar to many other companies, Epson was confronted with shortages of key components across various product lines, and Pixelworks was the only vendor that was able to fully supply Epson's demand throughout the semiconductor supply shortages. Also notable, Pixelworks was the only supplier across all of Epson's product lines to receive this award. This is a true testament to the contributed performance and dedication of our entire team, including our operational, sales, technical and support teams.

Separately, our multi-year co-development project with this same customer continues to progress well, and we remain on track to achieve conditional acceptance of our next-generation SoC by year-end. Upon completion of this development milestone, we expect to recognize the final milestone as an R&D credit, which will reduce our reported OpEx in the fourth quarter. Following the planned delivery of production samples early next year, the new SoC will go into volume production in the second half of 2024.

Shifting to an update on our Pixelworks Shanghai subsidiary and its planned listing on the STAR exchange. We are now in the final preparation and tutoring process that is required before an application for listing can be filed. Getting to where we are today has taken roughly two years and countless hours of hard work by numerous members of our team. With respect to the larger Pixelworks organization and our Shanghai subsidiary being ready, we believe we are effectively there. As with any IPO on a major exchange, underlying market conditions play an important role in their ultimate timing. Given the current environment for technology IPOs in China, we are closely monitoring market conditions together with our sponsor, CITIC Securities. While a definitive decision has yet to be made with respect to the timing for filing an application to list – our continued plan is to pursue a local listing of our Pixelworks Shanghai subsidiary when we believe market conditions are supportive.

In closing, despite the recently heightened macro uncertainty, including indications of weaker global demand and a slower ongoing recovery in China, we remain confident about our near-term outlook for sustained growth, especially in our mobile business. Specific to the fourth quarter, our current order backlog and design wins for our mobile visual processors fully support achieving continued double-digit sequential growth in mobile, while also returning to solid year-over-year top-line growth. Even with mobile poised to continue becoming an increasing percentage of our overall business, we remain committed to and expect to drive sustained gross margin expansion in conjunction with our top-line growth over the next several quarters.

Overall, our team continues to execute well on our strategic initiatives, which has been key to enabling our renewed growth during a broadly challenging environment. I'm also pleased with our recent achievement of multiple important milestones, as well as our expectations to close out the year with a strong fourth quarter.

With that, I'll hand the call to Haley to review the financials and provide our fourth quarter guidance.

**Haley Aman**

Thank you, Todd.

Revenue for the third quarter of 2023 increased 18% sequentially to \$16.0 million, from \$13.6 million in the second quarter, and was lower compared to \$17.6 million in the third quarter of 2022. As Todd previously highlighted, the sequential increase

in the third quarter revenue was driven by continued strong growth in Mobile as well as seasonally higher demand in the Home and Enterprise market.

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

- Revenue from Mobile increased 20% sequentially to approximately \$8.3 million, which was a record quarter in terms of Mobile revenue and also the contribution of a record 52% of total revenue.
- Home and Enterprise revenue was approximately \$7.8 million, an increase of 16% sequentially from the prior quarter. Within Home and Enterprise, sales into the Projector end market represented over 95% of the business in the third quarter.

Third quarter non-GAAP gross profit margin expanded 260-basis points sequentially to 43.1%, from 40.5% in the second quarter of 2023, and compared to 49.8% in the third quarter of 2022. As discussed on our prior conference call, during the third quarter we began passing through an increased portion of the higher cost of materials that we previously chose not to immediately push through to customers. Combined with the anticipated benefits from higher unit volumes and increased overhead absorption as we grow top-line revenue, we expect to achieve continued incremental improvement in gross margin over the next several quarters.

Non-GAAP operating expenses were \$13.3 million in the third quarter, compared to \$10.7 million in the prior quarter and \$12.2 million in the third quarter of 2022. With respect to the higher sequential OpEx in the third quarter, as a reminder operating expenses in the second quarter benefited from a \$1.9 million credit to R&D related to our co-development project.

On a non-GAAP basis, third quarter 2023 net loss was \$5.7 million, or a loss of (\$0.10) cents per share, compared to a net loss of \$4.8 million, or a loss of (\$0.09) cents per share, in the prior quarter, and a net loss of \$3.2 million, or a loss of (\$0.06) cents per share, in the year ago quarter.

Adjusted EBITDA for the third quarter of 2023 was a negative \$5.0 million, compared to a negative \$4.0 million in the second quarter and a negative \$2.1 million in the third quarter of 2022.

Turning to the balance sheet, we ended the quarter with cash and cash equivalents of \$50.3 million and the Company continued to have no outstanding debt.

Shifting to our current expectations and guidance for the fourth quarter of 2023.

Based on recent order trends and our current backlog, we anticipate fourth quarter total revenue to be in a range of between \$19.0 million and \$21.0 million. At the midpoint of this range, total revenue would represent an increase of approximately 25% over the third quarter, driven by expected sequential growth in both our mobile and home and enterprise end markets. Total revenue at the midpoint would also represent a return to year-over-year growth with revenue being up approximately 18% over the fourth quarter of 2022.

In terms of gross profit margin. Consistent with my earlier remarks, we expect to drive incremental gross margin expansion in the fourth quarter and also throughout 2024, as we continue to pass through higher material costs to customers and realize the benefit of both higher unit volumes and revenue. Specific to the fourth quarter, we anticipate non-GAAP gross profit margin to be between 44% and 46%.

We expect operating expenses in the fourth quarter to range between \$11.5 million and \$12.5 million on a non-GAAP basis. Note, this range reflects our expectation to complete the last scheduled milestone related to our co-development agreement before year-end, which will be recognized as a credit to R&D expense.

Lastly, we expect fourth quarter non-GAAP EPS to range between a loss of (\$0.07) cents per share and a loss of (\$0.03) cent per share.

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