

**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): July 30, 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 July 30, 2015, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and six month periods ended June 30, 2015 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 July 30, 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 July 30, 2015.
99.2	Pixelworks, Inc. Second Quarter Results Conference Call Script dated July 30, 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: July 30, 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 July 30, 2015.
99.2	Pixelworks, Inc. Second Quarter Results Conference Call Script dated July 30, 2015.



Pixelworks Reports Second Quarter 2015 Financial Results

SAN JOSE, Calif., July 30, 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 second quarter ended June 30, 2015.

For the second quarter of 2015, revenue was \$15.1 million, compared to \$14.4 million in the prior quarter and \$15.2 million in the second quarter of 2014. Revenue during the quarter reflected continued market share gains in the projector market, partially offset by lower shipments of chips into the TV and panel market.

On a GAAP basis, gross profit margin in the second quarter of 2015 was 48.0%, compared to 48.4% in the first quarter of 2015 and 50.5% in the year-ago quarter. Second quarter 2015 GAAP operating expenses were \$9.7 million, compared to \$10.2 million in the previous quarter and \$9.6 million in the second quarter of 2014.

For the second quarter of 2015, the Company recorded a GAAP net loss of \$2.8 million, or \$0.12 per share, compared to a GAAP net loss of \$3.4 million, or \$0.14 per share, in the first quarter of 2015 and GAAP net loss of \$2.4 million, or \$0.11 per share, in the second quarter of 2014.

On a non-GAAP basis, second quarter 2015 gross profit margin was 48.3%, compared to 48.8% in the first quarter of 2015 and 51.0% in the year-ago quarter. Second quarter 2015 operating expenses on a non-GAAP basis were \$8.8 million, compared to \$9.2 million in the previous quarter and \$8.7 million in the second quarter of 2014.

For the second quarter of 2015, non-GAAP net loss was \$1.9 million, or \$0.08 per share, compared to a non-GAAP net loss of \$2.3 million, or \$0.10 per share, in the first quarter of 2015 and non-GAAP net loss of \$1.5 million, or \$0.06 per share, in the second quarter of 2014. Adjusted EBITDA in the second quarter of 2015 was a negative \$0.5 million, compared to a negative \$1.1 million in the previous quarter and a positive \$0.2 million in the second quarter of 2014.

"First half 2015 product revenue increased 15% over 2014, driven by continued growth in our chip business. Highlighting the quarter was the announcement of ASUS selecting Pixelworks' Iris mobile display processor for its innovative Hero ZenPad tablet," said Bruce Walicek, President and CEO of Pixelworks. "The adoption of Iris by a recognized market leader such as ASUS for its flagship platform serves as important validation of Pixelworks' mobile technology as well as Iris' value proposition to mobile OEMs. Also during the quarter, we formally introduced our second chip for the mobile market, and we expect to begin initial volume production of the Iris family during the third quarter."

The Company will discuss the details of its business outlook for the third quarter of 2015 during its conference call scheduled for today, July 30, 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 92049777. 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, August 6, 2015, and can be accessed by calling 855-859-2056 and using passcode 92049777.

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 loss and non-GAAP net 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 loss and adjusted EBITDA, which Pixelworks defines as GAAP net 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, 2014 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			Six Months Ended	
	June 30,	March 31,	June 30,	June 30,	June 30,
	2015	2015	2014	2015	2014
Revenue, net	\$ 15,078	\$ 14,392	\$ 15,166	\$ 29,470	\$ 28,707
Cost of revenue (1)	7,844	7,425	7,505	15,269	13,051
Gross profit	7,234	6,967	7,661	14,201	15,656
Operating expenses:					
Research and development (2)	6,105	6,318	5,887	12,423	12,272
Selling, general and administrative (3)	3,584	3,887	3,709	7,471	7,758
Total operating expenses	9,689	10,205	9,596	19,894	20,030
Loss from operations	(2,455)	(3,238)	(1,935)	(5,693)	(4,374)
Interest expense and other, net	(105)	(107)	(130)	(212)	(252)
Loss before income taxes	(2,560)	(3,345)	(2,065)	(5,905)	(4,626)
Provision for income taxes	236	19	317	255	263
Net loss	\$ (2,796)	\$ (3,364)	\$ (2,382)	\$ (6,160)	\$ (4,889)
Net loss per share - basic and diluted	\$ (0.12)	\$ (0.14)	\$ (0.11)	\$ (0.26)	\$ (0.22)
Weighted average shares outstanding - basic and diluted	23,539	23,328	22,667	23,434	22,437

(1) Includes:

Stock-based compensation	\$ 42	\$ 53	\$ 41	\$ 95	\$ 130
Additional amortization of non-cancelable prepaid royalty	—	—	35	—	91
(2) Includes stock-based compensation	429	489	413	918	1,239
(3) Includes stock-based compensation	422	536	487	958	1,275

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

	Three Months Ended			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	\$ 7,234	\$ 6,967	\$ 7,661	\$ 14,201	\$ 15,656
Stock-based compensation	42	53	41	95	130
Additional amortization of non-cancelable prepaid royalty	—	—	35	—	91
Total reconciling items included in cost of revenue	42	53	76	95	221
Non-GAAP gross profit	\$ 7,276	\$ 7,020	\$ 7,737	\$ 14,296	\$ 15,877
Non-GAAP gross profit margin	48.3%	48.8%	51.0%	48.5%	55.3%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	\$ 9,689	\$ 10,205	\$ 9,596	\$ 19,894	\$ 20,030
Reconciling item included in research and development:					
Stock-based compensation	429	489	413	918	1,239
Reconciling item included in selling, general and administrative:					
Stock-based compensation	422	536	487	958	1,275
Total reconciling items included in operating expenses	851	1,025	900	1,876	2,514
Non-GAAP operating expenses	\$ 8,838	\$ 9,180	\$ 8,696	\$ 18,018	\$ 17,516
Reconciliation of GAAP and non-GAAP net loss					
GAAP net loss	\$ (2,796)	\$ (3,364)	\$ (2,382)	\$ (6,160)	\$ (4,889)
Reconciling items included in cost of revenue	42	53	76	95	221
Reconciling items included in operating expenses	851	1,025	900	1,876	2,514
Tax effect of non-GAAP adjustments	(46)	(20)	(47)	(66)	(85)
Non-GAAP net loss	\$ (1,949)	\$ (2,306)	\$ (1,453)	\$ (4,255)	\$ (2,239)
Non-GAAP net loss per share - basic and diluted	\$ (0.08)	\$ (0.10)	\$ (0.06)	\$ (0.18)	\$ (0.10)
Non-GAAP weighted average shares outstanding - basic and diluted	23,539	23,328	22,667	23,434	22,437

* Our non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net 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 loss and non-GAAP net 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			Six Months Ended	
	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Reconciliation of GAAP net loss and adjusted EBITDA					
GAAP net loss	\$ (2,796)	\$ (3,364)	\$ (2,382)	\$ (6,160)	\$ (4,889)
Stock-based compensation	893	1,078	941	1,971	2,644
Additional amortization of non-cancelable prepaid royalty	—	—	35	—	91
Tax effect of non-GAAP adjustments	(46)	(20)	(47)	(66)	(85)
Non-GAAP net loss	\$ (1,949)	\$ (2,306)	\$ (1,453)	\$ (4,255)	\$ (2,239)
EBITDA adjustments:					
Depreciation and amortization	\$ 1,041	\$ 1,098	\$ 1,141	\$ 2,139	\$ 2,285
Interest expense and other, net	105	107	130	212	252
Non-GAAP provision for income taxes	282	39	364	321	348
Adjusted EBITDA	\$ (521)	\$ (1,062)	\$ 182	\$ (1,583)	\$ 646

* 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)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,432	\$ 17,926
Accounts receivable, net	4,733	4,648
Inventories	2,875	2,898
Prepaid expenses and other current assets	1,239	888
Total current assets	23,279	26,360
Property and equipment, net	7,030	6,402
Other assets, net	926	1,382
Total assets	\$ 31,235	\$ 34,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,004	\$ 3,154
Accrued liabilities and current portion of long-term liabilities	9,185	8,539
Current portion of income taxes payable	187	197
Short-term line of credit	3,000	3,000
Total current liabilities	16,376	14,890
Long-term liabilities, net of current portion	919	1,476
Income taxes payable, net of current portion	2,079	2,094
Total liabilities	19,374	18,460
Shareholders' equity	11,861	15,684
Total liabilities and shareholders' equity	\$ 31,235	\$ 34,144

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

**Pixelworks, Inc. Q2 2015 Conference Call
July 30, 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 second quarter ended June 30, 2015.

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, July 30, 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, 2014, 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 loss, and net 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.

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

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

Bruce Walicek, CEO

Thanks Steve. Good afternoon and thanks for joining us on our Q2 2015 conference call:

Q2 2015 Results

- I will begin today with an overview of the quarter and then Steve will review the financial results and provide our outlook for Q3.
- Q2 results came in within the range of guidance with revenues of \$15.1M, representing a 15% increase in product revenue over the first half of 2014, as revenue from chips continued to drive year over year growth.
- All other Non-GAAP metrics came within the range of guidance and the book to bill was greater than one, as order patterns normalized during the quarter.
- And despite a sluggish macro-environment, we continue to target double digit growth in our product business for 2015.
- Q2 was an outstanding quarter of progress as we achieved several important milestones.

Launched Iris 2

- During the quarter, we announced that ASUS selected Iris for their next generation “flagship” tablet.
- This is an important customer validation and we are seeing strong pull from the market for the value propositions of Iris, and market acceptance is on track as our mobile initiative unfolds.
- As noted on our last conference call, we introduced the next device in the Iris family of mobile display processors at Computex in June.
- We achieved outstanding results on this project, and delivered right on schedule, in record time, and this product is now sampling to customers.
- Our second Iris chip is targeted for mobile products with high-resolution displays with screen sizes ranging from 5.5” to 10” with up to 2K resolution.
- These products typically are geared for power-hungry, compute intensive, multimedia applications, and as a result, have more stringent power and performance requirements.
- This chip includes the full suite of True Clarity features so manufacturers can offer new products that deliver an enhanced mobile viewing experience, and differentiate their offerings, while at the same time address power and performance bottlenecks at the system level.
- Our latest product extends the breadth of the Iris family, giving OEMs more options to optimize their offerings in a range of different product segments.
- Future members of the Iris product line will offer a range of features and price points to cover the entire spectrum of mobile devices.

Announced ASUS as our key partner

- Also at Computex we announced that ASUS selected Pixelworks’ Iris mobile display processor for its new flagship ZenPad Tablet.
 - The new ASUS Hero ZenPad is the world’s first tablet to incorporate True Clarity features based on Pixelworks’ mobile display processing technology.
 - ASUS is setting the standard in realism with their True2Life display technology that enables a rich, incredibly realistic visual experience on a mobile device.
-

- They are the first to incorporate the latest image processing technology found in high-end TVs, that delivers incredibly realistic images with accurate contrast, sharpness, and detail.
- ASUS selected Iris because it's the world's first mobile display processor that incorporates the most advanced display processing available, providing superior picture quality, while at the same time addressing system bottlenecks.
- Iris' True Clarity features provide:
 - blur free smooth video for a better video viewing experience;
 - advanced color management and sharpness for clear life like images;
 - and enhanced contrast and daylight viewing for better gaming, outdoor viewing and enhanced usability.
- ASUS is an established leader across a spectrum of mobile products, and has a long track record of bringing the most exciting and innovative products to market first, and we are proud to partner with such a leading company.
- For the same reasons ASUS selected Iris, we are seeing increasing market pull and the value propositions of Iris are resonating across customers, as they look for ways to address system bottlenecks and differentiate their products.
- Momentum continues to build with an increasing number of customer engagements, evaluations and design wins -- as the Iris product family expands to address more specific applications within the larger mobile market.
- We are in the right place at the right time with first mover advantage to attack a large, fast growing market, of hundreds of millions of units that is undergoing rapid change, as the confluence of key trends drives a critical inflection point.

Key trends

- The accelerating growth in high resolution content and over the top video, is driving the need for solutions that can help systems adapt to the massive growth in the number of pixels that next generation systems need to capture, process and display.
- Rapid advances in display technology are putting serious strain on today's solutions.
- Driven by increasing resolutions, frame rates, color capability and panel technology, system requirements for next generation displays are changing faster than SOC integration cycles, which are two to three times longer than display innovation cycles.
- Processing pixels is a compute intensive task as more and more applications are competing for CPU performance on a next generation mobile system.
- More pixels processed, means more performance needed, and more power consumed.
- These trends combined with customers' need for differentiating their product, are creating a performance/power bottleneck.
- Increasing demands on systems are causing critical pain points, driving architectural change as mobile systems adapt.
- Today's solutions are struggling to address this bottleneck and deliver efficient display processing and the best picture quality at the same time.
- Our Iris family of mobile display processors address this need.

Large screen projected and panel applications

- In our large screen projected and panel display applications,
 - Our co-development program continues on track and is ramping as expected.
 - Execution on this project has been outstanding, as we continue to gain market-share and drive year on year growth.
 - At the Infocomm tradeshow last quarter, we demonstrated our latest technology for connectivity, on our VueMagic™ platform, the Media Pro.
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- The VueMagic™ platform, which includes, software, dongles, and downloadable apps, provides wireless connectivity for mobile devices to projectors based on Topaz chips.
- This new addition to the VueMagic™ platform addresses the needs of schools and businesses to support interactive multimedia presentations.
- Education applications are a key driver of the projector market and represent about one half of the worldwide business.
- There are 41 million classrooms serving 1.5 billion K-12 students and teachers globally.
- Education hardware spending is growing along with the interactive display market as classrooms around the world shift to digital technologies.
- Our VueMagic™ technology and Topaz platform plays well into this trend as wireless access to displays moves into the mainstream, and the VueMagic™ Platform + Topaz offers the best value.
- Design and production cycles are long in the projector business and the VueMagic™ platform suite of software adds value to our customers and provides stickiness and longevity to our products, as well as ongoing value to our customers.
- Design win momentum remains strong 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.

Closing summary

- In summary, Q2 2015 was an outstanding quarter as we announced that ASUS, who is a leader in innovative mobile products, selected Iris for their next generation tablet, which is an important customer validation milestone.
- Market adoption is on track and is going as planned as momentum continues to build and we expect to begin initial mass production of Iris this quarter.
- And we launched our next device in the Iris family of mobile display processors and samples are now available.
- Overall the team at Pixelworks has delivered outstanding execution performance with on time delivery of our new products right on schedule, and our most recent performance on our 2nd Iris chip is just the latest example.
- 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 second quarter of 2015 was \$15.1 million, which compares to \$14.4 million in the prior quarter. The 5% sequential increase in Q2 revenue was driven by continued market share gains in the projector market. For the first half of 2015, product revenue for the sale of chips increased 15% compared to the first half of 2014.

The split of our second quarter revenue by market was:
90% digital projection,
10% TV and panel

Digital projection revenue was \$13.6 million, compared to \$12.5 million in the first quarter of 2015, and revenue from TV and panel totaled \$1.5 million in the second quarter, compared to \$1.8 million in the prior quarter.

Similar to the prior quarter, Licensing revenue was negligible in the second quarter,

Non-GAAP gross profit margin was 48.3% in the second quarter, comparable to 48.8% in the first quarter of 2015.

As a reminder, 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 second quarter, compared to \$9.2 million in the prior quarter.

Adjusted EBITDA was a negative \$521,000 for the second quarter, compared to a negative \$1.1 million in the first quarter. As previously mentioned, 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 \$1.9 million, or loss of eight cents per share, in the second quarter of 2015, as compared to a non-GAAP net loss of \$2.3 million, or loss of 10 cents per share, in the prior quarter.

Moving to the balance sheet, we ended the second quarter with cash and cash equivalents of approximately \$14.4 million, compared to \$15.6 million at the end of the first 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 at quarter-end.

Other balance sheet metrics include day's sales outstanding of 28 days at quarter-end, compared to 30 days at the end of the first quarter, and inventory turns were approximately 10 times, increasing slightly over the prior quarter.

Guidance

For the third quarter of 2015, we expect revenue to be in a range of between \$16 and \$18 million. This range largely reflects seasonal strength in the Projector market and also includes a modest amount of mobile revenue in line with our expectation of beginning mass production shipments of Iris chips during the third quarter.

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

In terms of operating expenses, we expect the third 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 third quarter non-GAAP EPS of between 10 cents loss per share and 1 cent earnings per share; and we expect a GAAP net loss of between 14 cents and 4 cents per share.

That concludes our prepared remarks. We will now open the call to questions.