

**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): April 26, 2016

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 April 28, 2016, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month period ended March 31, 2016 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 April 28, 2016 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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(b)

On April 26, 2016, Stephen Domenik notified the Company of his intent to resign from his position as Interim Chief Executive Officer of Pixelworks, Inc., effective as of April 27, 2016.

(c) and (e)

Appointment of Todd DeBonis as Chief Executive Officer

On April 27, 2016, Todd DeBonis was appointed to serve as President and Chief Executive Officer, effective immediately.

Mr. DeBonis, age 51, has served as our Chief Operating Officer since February 2016. Mr. DeBonis also previously served as our Executive Vice President, Sales, Marketing & Business Development since January 2016. Prior to joining Pixelworks, Mr. DeBonis served as the Vice President of Global Sales & Strategic Development at TriQuint Semiconductor, a semiconductor company, from April 2004 to December 2015, where his responsibilities included global sales, business development, strategic planning, customer support, contract negotiation and corporate marketing. Prior to TriQuint, Mr. DeBonis served as Vice President of Worldwide Sales & Marketing at Centillum Communications, a designer, developer and supplier of integrated programmable SoC solutions, Vice President of Worldwide Sales of Ishoni Networks, a silicon and software solution provider, and also held executive positions at Infineon Technologies, VisCom Corporation and Electec SoCal. Mr. DeBonis received a B.S. in Electrical Engineering with a focus in digital design and control systems from the University of Nevada.

As the Company's President and Chief Executive Officer, Mr. DeBonis will receive a base salary, initially set at an annualized amount of \$400,000, and will be eligible to participate in a cash bonus program in calendar year 2016 with a target bonus equal to 100% of his annual base salary. In addition, on the date of his appointment, Mr. DeBonis was awarded 150,000 restricted stock units (RSUs) which shall vest as to 33% on May 15, 2017, 33% on May 15, 2018 and 34% on May 15, 2019, and a lump-sum cash amount equal to the value of 50,000 shares of common stock based on the closing price of the Company's stock on his appointment date.

There are no family relationships between Mr. DeBonis and any director, executive officer or person nominated by the Company to become a director or executive officer, and there are no transactions between Mr. DeBonis or any of his immediate family members, on the one hand, and the Company or any of its subsidiaries, on the other, that would be required to be reported under Item 404(a) of Regulation S-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated April 28, 2016.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated April 28, 2016.

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: April 28, 2016

/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 April 28, 2016.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated April 28, 2016.



Pixelworks Reports First Quarter 2016 Financial Results; Names Todd DeBonis Chief Executive Officer

Previously announced restructuring expected to generate \$5 million in annualized cost savings

SAN JOSE, Calif., April 28, 2016 -- 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 first quarter ended March 31, 2016. Concurrently, the Company's board of directors announced the promotion of Todd DeBonis to president and chief executive officer of Pixelworks, effective immediately, replacing interim CEO Stephen Domenik, who will continue to serve as a director on the Board.

For the first quarter of 2016, revenue was \$11.2 million, compared to \$13.5 million in the prior quarter and \$14.4 million in the first quarter of 2015. The sequential and year-over-year decline in revenue was primarily due to inventory adjustments made by digital projection customers as a result of macroeconomic concerns in emerging markets.

On a GAAP basis, gross profit margin in the first quarter of 2016 was 32.2%, compared to 50.6% in the fourth quarter of 2015 and 48.4% in the first quarter of 2015. First quarter 2016 GAAP operating expenses were \$12.1 million, compared to \$9.7 million in the previous quarter and \$10.2 million in the first quarter of 2015.

For the first quarter of 2016, the Company recorded a GAAP net loss of \$8.6 million, or \$0.31 per share, which included \$4.3 million, or \$0.15 per share, in charges related to the previously announced restructuring. This compared to a GAAP net loss of \$3.2 million, or \$0.11 per share, in the fourth quarter of 2015 and GAAP net loss of \$3.4 million, or \$0.14 per share, in the first quarter of 2015.

On a non-GAAP basis, gross profit margin in the first quarter of 2016 was 48.0%, compared to 50.9% in the fourth quarter of 2015 and 48.8% in the first quarter of 2015. First quarter 2016 gross margin was lower compared to the prior periods due to a less favorable product mix and reduced overhead coverage. First quarter 2016 operating expenses on a non-GAAP basis were \$9.2 million, compared to \$8.8 million in the previous quarter and \$9.2 million in the first quarter of 2015.

For the first quarter of 2016, the Company recorded a non-GAAP net loss of \$4.0 million, or \$0.14 per share, compared to a non-GAAP net loss of \$2.2 million, or \$0.08 per share, in the fourth quarter of 2015 and non-GAAP net loss of \$2.3 million, or \$0.10 per share, in the first quarter of 2015. Adjusted EBITDA in the first quarter of 2016 was a negative \$2.9 million, compared to a negative \$0.9 million in the previous quarter and a negative \$1.1 million in the first quarter of 2015.

"Consistent with the Company's announcement of preliminary results on April 7th, first quarter revenue of \$11.2 million was above the high-end of guidance, reflecting an improvement in order patterns at several of our digital projection customers. Over this past month, we have been diligently focused on implementing the announced restructuring plan, and we remain committed to realizing the expected \$5 million in annualized cost savings as well as the achievement of cash flow break-even," said Stephen Domenik, a director on Pixelworks' Board. "I am also pleased to announce that we have completed our search for a permanent CEO with today's appointment of Todd DeBonis. Since joining Pixelworks earlier this year, Todd has demonstrated in-depth knowledge of the industry, a strong understanding of Pixelworks' technology as well as the required sales and operational capabilities to lead the organization going forward. I am confident he is the right candidate to capitalize on Pixelworks' opportunity in the mobile market."

Todd DeBonis, president and CEO of Pixelworks stated, "I am very enthusiastic about accepting this role and the future of Pixelworks. Since joining the Company in January, I have been actively engaged across all levels of the business as well as with the Company's current and prospective customers. These interactions provided further validation of Pixelworks' video processing technology and the differentiation it offers OEMs in our target markets. Moreover, we have favorable existing positions in these respective markets, with leading market share in SoCs for digital projectors and a first-mover advantage as an enabler of high-quality video processing for mobile devices. I look forward to supporting the Pixelworks team and continuing to build on the Company's heritage of video processing excellence."

Restructuring

On April 7, 2016, the Company announced a restructuring plan to streamline its product offerings and organization, including an approximately 24% reduction in workforce. Restructuring charges of approximately \$4.3 million, or \$0.15 per share, were recorded in the first quarter, and the Company expects to incur charges totaling approximately \$0.2 million across the remaining quarters of 2016. Pixelworks expects the restructuring to result in annualized savings of at least \$5.0 million. In addition, the Company also announced the promotion of Richard Miller to executive vice president of technology in support of its mobile initiative.

Business Outlook for the Second Quarter of 2016

The Company's expectations for the second quarter of 2016 include:

- Revenue to be between \$11.5 million and \$12.5 million;
- Gross profit margin of approximately 48% to 50% on a GAAP basis and non-GAAP basis; and
- Operating expenses of \$8.5 million to \$9.5 million on a GAAP basis and \$7.5 million to \$8.5 million on a non-GAAP basis.

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 84838280. 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, May 5, 2016, and can be accessed by calling 855-859-2056 and using passcode 84838280.

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 restructuring charges and stock-based compensation expense, which are both 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, statements with respect to the Company's growth opportunities, product shipments, product demand, customer engagements, and the Company's potential and position for the future, statements with respect to the Company's restructuring plan, including the Company's expected cost savings, the achievement of cash flow break-even, and future charges, and statements with respect to the business outlook for the second quarter of 2016, including revenue, gross margin and operating expenses, 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," "expect" 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; and risks related to our restructuring plan, including whether the expected amount of the costs associated with the restructuring program will differ from or exceed the Company's forecasts and whether the Company will be able to realize the full amount of estimated savings from the restructuring program or in the timeframe expected. 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, 2015 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		
	March 31,	December 31,	March 31,
	2016	2015	2015
Revenue, net	\$ 11,167	\$ 13,477	\$ 14,392
Cost of revenue (1)	7,575	6,663	7,425
Gross profit	3,592	6,814	6,967
Operating expenses:			
Research and development (2)	5,675	6,076	6,318
Selling, general and administrative (3)	3,865	3,648	3,887
Restructuring	2,538	—	—
Total operating expenses	12,078	9,724	10,205
Loss from operations	(8,486)	(2,910)	(3,238)
Interest expense and other, net	(99)	(129)	(107)
Loss before income taxes	(8,585)	(3,039)	(3,345)
Provision for income taxes	57	128	19
Net loss	\$ (8,642)	\$ (3,167)	\$ (3,364)
Net loss per share - basic and diluted	\$ (0.31)	\$ (0.11)	\$ (0.14)
Weighted average shares outstanding - basic and diluted	27,936	27,697	23,328

(1) Includes:

Restructuring	\$ 1,723	\$ —	\$ —
Stock-based compensation	44	49	53
(2) Includes stock-based compensation	429	485	489
(3) Includes stock-based compensation	(107)	397	536

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

	Three Months Ended		
	March 31, 2016	December 31, 2015	March 31, 2015
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	\$ 3,592	\$ 6,814	\$ 6,967
Restructuring	1,723	—	—
Stock-based compensation	44	49	53
Total reconciling items included in cost of revenue	1,767	49	53
Non-GAAP gross profit	\$ 5,359	\$ 6,863	\$ 7,020
Non-GAAP gross profit margin	48.0%	50.9%	48.8%
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	\$ 12,078	\$ 9,724	\$ 10,205
Reconciling item included in research and development:			
Stock-based compensation	429	485	489
Reconciling item included in selling, general and administrative:			
Stock-based compensation	(107)	397	536
Restructuring	2,538	—	—
Total reconciling items included in operating expenses	2,860	882	1,025
Non-GAAP operating expenses	\$ 9,218	\$ 8,842	\$ 9,180
Reconciliation of GAAP and non-GAAP net loss			
GAAP net loss	\$ (8,642)	\$ (3,167)	\$ (3,364)
Reconciling items included in cost of revenue	1,767	49	53
Reconciling items included in operating expenses	2,860	882	1,025
Tax effect of non-GAAP adjustments	(2)	—	(20)
Non-GAAP net loss	\$ (4,017)	\$ (2,236)	\$ (2,306)
Non-GAAP net loss per share - basic and diluted	\$ (0.14)	\$ (0.08)	\$ (0.10)
Non-GAAP weighted average shares outstanding - basic and diluted	27,936	27,697	23,328

* 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 restructuring expenses and stock-based compensation expense. 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		
	March 31,	December 31,	March 31,
	2016	2015	2015
Reconciliation of GAAP net loss and adjusted EBITDA			
GAAP net loss	\$ (8,642)	\$ (3,167)	\$ (3,364)
Restructuring	4,261	—	—
Stock-based compensation	366	931	1,078
Tax effect of non-GAAP adjustments	(2)	—	(20)
Non-GAAP net loss	\$ (4,017)	\$ (2,236)	\$ (2,306)
EBITDA adjustments:			
Depreciation and amortization	\$ 990	\$ 1,038	\$ 1,098
Interest expense and other, net	99	129	107
Non-GAAP provision for income taxes	59	128	39
Adjusted EBITDA	\$ (2,869)	\$ (941)	\$ (1,062)

* Adjusted EBITDA differs from GAAP net loss due to the exclusion of restructuring expenses, stock-based compensation expense, 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)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 22,935	\$ 26,591
Accounts receivable, net	5,694	5,988
Inventories	2,197	3,266
Prepaid expenses and other current assets	681	644
Total current assets	31,507	36,489
Property and equipment, net	4,320	6,543
Other assets, net	756	810
Total assets	\$ 36,583	\$ 43,842
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,179	\$ 2,944
Accrued liabilities and current portion of long-term liabilities	11,471	8,528
Current portion of income taxes payable	164	221
Short-term line of credit	3,000	3,000
Total current liabilities	15,814	14,693
Long-term liabilities, net of current portion	629	831
Income taxes payable, net of current portion	1,860	1,942
Total liabilities	18,303	17,466
Shareholders' equity	18,280	26,376
Total liabilities and shareholders' equity	\$ 36,583	\$ 43,842

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. Q1 2016 Conference Call
April 28, 2016**

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s first quarter 2016 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 management and your host, Chief Financial Officer of Pixelworks, Mr. Steve Moore.

Steve Moore

Good afternoon and thank you for joining us. With me on today's call is Todd DeBonis, Pixelworks' CEO, and also Stephen Domenik, a director on Pixelworks' board who has recently served as interim-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 first quarter ended March 31, 2016.

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, April 28, 2016, 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, 2015, 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 as well as certain charges related to the Company's recently announced restructuring plan. 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 loss and GAAP net loss to adjusted EBITDA, which provide additional details.

We will start today's call with a few opening remarks from Steve Domenik, a member of our board and recent interim CEO, who will then turn the call over to Todd DeBonis, who we announced as part of today's press release has now assumed the permanent CEO role. Todd will provide additional comments on the business and quarter, after which I will review our first quarter financial results in more detail, and then provide our outlook for the second quarter of 2016.

With that, Steve please go ahead.

Steve Domenik

Thank you, Steve. Good afternoon everyone and thanks for joining us on today's call.

As most of you are aware, I have been serving as Pixelworks' interim CEO since early February. The Board has concluded a formal search process to identify a permanent CEO. I could not be more pleased to announce the Board's decision to promote Todd DeBonis to President and CEO.

Just prior to Pixelworks, Todd was Vice President of Global Sales and Strategic Development at TriQuint Semiconductor, where he was a key contributor to the company's rapid growth and from having a few hundred million dollar mobile business to one that generated over 1 billion dollars. He has nearly 30 years of experience as a seasoned executive with expertise spanning strategy, sales and operations across a global organization - and since coming to Pixelworks earlier this year, Todd has demonstrated in-depth knowledge of the industry, a strong understanding of Pixelworks' technology as well as the required sales and operational capabilities required to lead the organization going forward. Put simply, I'm confident he is the right CEO to capitalize on the intrinsic value of Pixelworks' technology and available market opportunities.

With that said, I would like to make a few brief remarks before turning the call over to Todd. As announced on April 7th, we implemented a restructuring plan with the goal of achieving two clear objectives. The first, was to streamline the organization and our product offerings in order to concentrate the company's resources on market opportunities with the largest potential impact. The second objective was to right-size the organization by better aligning expenses with current revenue levels. I'll let Steve Moore speak to the numbers in more detail, but I do want to highlight that we have been diligently focused on implementing this plan over the last several weeks, and both management and the Board remain fully committed to realizing the expected \$5 million in annualized cost savings as well as the achievement of cash flow break-even.

I look forward to continuing to serve as a director on Pixelworks' board and supporting Todd as he leads the Company's efforts to capitalize on growth opportunities and realize Pixelworks' full potential.

It's now my pleasure to turn the call over to Todd.

Todd DeBonis

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

I'd like to first start by thanking Steve Domenik for the kind words and the Board for the vote of confidence and opportunity to lead Pixelworks as CEO. I'm very enthusiastic about taking on this role and also the future of this Company.

However, before talking about the future, I believe that it's constructive to first take stock of where we are today. As most of you know, I joined Pixelworks earlier this year and was appointed COO in February. During the last few months, the majority of my time has been spent meeting with fellow employees to gain a deeper understanding of Pixelworks' technology and capabilities, and then also meeting with our current projector customers as well as current and prospective mobile customers. My takeaway from these interactions has been positive, and provided further validation of the value of Pixelworks' technology.

While at the highest level Pixelworks consists of two very different businesses and end markets, they share the key enabling technology of video processing. Pixelworks has a long heritage and deep expertise in this field, which the Company has consistently invested in and continued to advance over the last 20 years. Innovation rarely happens overnight and it would be difficult for any company to quickly replicate Pixelworks' combined expertise in motion estimation motion compensation (MEMC), frame rate conversion and picture quality.

Projector

Before talking about the mobile market and opportunity, let me first address our digital projection business. As part of the recently announced restructuring, we are prudently working to streamline our projector business and respective product portfolio. This means serving the same customer base but doing so with a smaller and more targeted product portfolio allowing Pixelworks to continue to deliver world class support with a smaller but highly skilled team.

As Steve Domenik discussed on last quarter's call in February, Pixelworks gained significant market share in 2015, and we continue to target incremental market share gains in 2016. Once again, the highest priority in our projector business is to focus on customer satisfaction and requirements for next generation products. While our digital projection business will always be subject to both the up and down forces of the macro economic environment, there is no reason why Pixelworks shouldn't maintain and potentially improve its already favorable position in this market.

Mobile

Now let's talk about where we are today with our mobile initiative.

It goes without saying that the mobile market continues to represent an enormous opportunity for Pixelworks. The company has made meaningful investment over the last 3 years as well as demonstrated some early progress towards establishing the market. As a result, we currently have a first mover advantage - but with this advantage also comes challenges, most notably having to evangelize the benefits that new technology can provide to prospective customers. This can often be a painstaking process, especially for a smaller resource-limited company, but we've already done a lot of work in this regard. In fact, I continue to be impressed by the awareness of Pixelworks and its technology at both device OEMs and across the video streaming ecosystem.

Much of the Company's early efforts were validated last year by the well-publicized win with Asus for a flagship tablet, and we continue to ship chips in support of that platform, although only in modest volume. The task at hand today is to encourage and achieve broader adoption across multiple customers and a variety of mobile devices. While potentially counterintuitive, I believe that it is critical for us to narrow our focus as opposed to using a wider net approach, especially given limited resources. In-line with this belief and as part of our restructuring plan, going forward our sales efforts will largely be exclusively focused on tablets and handsets - and not include laptop or Ultrabook™-like applications.

Additionally, we have taken steps to strengthen the capabilities of our Sales & Marketing organization to more effectively target the mobile market, and to encompass both chip sales as well as potential licensing/software opportunities.

Coming back to where we are today, we continue to have a very constructive engagement with ASUS, which includes the potential for our mobile chip, Iris, to be incorporated into additional future devices/platforms. ASUS has been an excellent partner and early adopter for Pixelworks, as they look to more fully embrace video quality and enhanced displays as a key differentiator.

Separately, our previously disclosed design win for a new tablet to be offered by a major U.S. mobile wireless carrier continues to be on track - and we have backlog to support this program's anticipated launch.

Summary

So now pulling all of this together, and with the acknowledgment that I've only been in the role a short while, I want to briefly outline the key focus items going forward:

- 1) Finalize restructuring** -- complete all of the action items required to fully implement our restructuring plan at the operational level.
 - 2) Projector product transition** -- begin transitioning certain projector customers from their dependency on legacy chips to our newer generation SoCs.
 - 3) Exit TV/Panel** -- take the next steps to formally end-of-life several legacy products that are still being sold into the TV/panel/embedded markets.
 - 4) Strengthen our mobile sales capability** -- We recently hired a new VP of Sales and Business Development in China, and we will be adding additional resources over the next quarter.
 - 5) A comprehensive review of our mobile go to market strategy** - We have launched a comprehensive review of our mobile products, including both Iris and our head-end video streaming capabilities, with the goal of optimizing our go to market strategy.
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To conclude my comments, as a more streamlined organization Pixelworks is positioned to deliver both top line growth and profitability in the coming quarters, even without an immediate step-up in revenue contribution from our mobile business. We continue to make forward progress on the Company's mobile initiative, and we have existing and new design wins that are transitioning to volume production during the course of 2016. Simultaneously, we will continue to serve our projector customers with the goal of not only maintaining but incrementally growing our current market share year-over-year.

With that, I'll turn the call over to Steve Moore to review our first quarter financials and guidance for the second quarter. Steve.

Steve Moore

Thank you, Todd.

Revenue for the first quarter of 2016 was \$11.2 million, which compares to \$13.5 million in the prior quarter. The sequential decline in Q1 total revenue was slightly better than our original forecast, but ultimately reflected the expected impact of a challenging macro environment in emerging markets on our digital projection business.

Revenue from chips sold into the TV/Panel market was higher compared to the fourth quarter, however as previously mentioned we expect contribution from this legacy business to decline in future quarters following anticipated end-of-life orders from existing customers. We also recorded a nominal amount of mobile revenue in the first quarter as part of follow-on orders from our initial customer, however mobile was not a meaningful contributor to the sequential Q1 decline in total revenue.

Non-GAAP gross profit margin was 48.0% in the first quarter, compared to 50.9% in the fourth quarter of 2015.

Non-GAAP operating expenses were \$9.2 million in the first quarter, compared to \$8.8 million in the fourth quarter of 2015.

Adjusted EBITDA was a negative \$2.9 million for the first quarter of 2016, compared to a negative \$941,000 in the fourth quarter. A reconciliation of adjusted EBITDA to GAAP net loss may be found in today's press release.

On a non-GAAP basis we recorded a net loss of \$4.0 million, or loss of 14 cents per share, in the first quarter of 2016, as compared to a non-GAAP net loss of \$2.2 million, or loss of 8 cents per share, in the prior quarter. The first quarter net loss excludes stock based compensation expenses as well as \$4.3 million, or \$0.15 per share, in charges related to the restructuring.

Moving to the balance sheet, we ended the first quarter with cash and cash equivalents of approximately \$22.9 million, compared to \$26.6 million at the end of the fourth quarter. The Company has no long-term debt and similar to the previous quarter, the Company had a balance of \$3 million on its working capital line of credit.

Other balance sheet metrics include day's sales outstanding of 46 days at quarter-end, compared to 40 days at the end of the fourth quarter, and inventory turns were approximately 8.5 times compared to around 8 times in the prior quarter.

Guidance

For the second quarter of 2016, we expect revenue to be in a range of between \$11.5 and \$12.5 million. This range reflects improving, but not yet normalized order patterns, across our digital projection customers, following the largely macro-driven inventory correction during the fourth and first quarters.

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

In terms of operating expenses, we expect the second quarter to range between \$7.5 and \$8.5 million on a non-GAAP basis, and \$8.5 to \$9.5 million on a GAAP basis.

And finally, we expect a non-GAAP second quarter net loss of between 5 and 12 cents per share; and we expect a GAAP net loss of between 9 cents and 15 cents per share.

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