

**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): October 30, 2014

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 October 30, 2014, Pixelworks, Inc. (the "Company") issued a press release announcing financial results for the three and nine month periods ended September 30, 2014 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued October 30, 2014 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 October 30, 2014.
99.2	Pixelworks, Inc. Third Quarter Results Conference Call Script dated October 30, 2014.

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: October 30, 2014

/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 October 30, 2014.
99.2	Pixelworks, Inc. Third Quarter Results Conference Call Script dated October 30, 2014.



Pixelworks Reports Third Quarter 2014 Financial Results

SAN JOSE, Calif., October 30, 2014 -- 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 third quarter ended September 30, 2014.

Revenue for the third quarter 2014 was \$17.1 million, compared to \$15.2 million in the prior quarter and \$15.3 million in the third quarter of 2013. Strong chip sales resulted in sequential and year-over-year revenue growth, with chip revenue increasing 13% from the previous quarter and 63% compared to the year-ago quarter.

On a GAAP basis, gross profit margin in the third quarter of 2014 was 50.1%, compared to 50.5% in the second quarter of 2014 and 60.9% in the third quarter of 2013. Third quarter 2014 GAAP operating expenses were \$10.5 million, compared to \$9.6 million in the previous quarter and \$7.5 million in the third quarter of 2013. For the third quarter of 2014, the Company recorded a GAAP net loss of \$2.3 million, or \$0.10 per share, compared to a GAAP net loss of \$2.4 million, or \$0.11 per share, in the second quarter of 2014 and GAAP net income of \$1.5 million, or \$0.07 per diluted share, in the third quarter of 2013.

On a non-GAAP basis, third quarter 2014 gross profit margin was 50.4%, compared to 51.0% in the second quarter of 2014 and 61.6% in the third quarter of 2013. Third quarter 2014 gross margin was lower compared to the year-ago quarter primarily due to a higher percentage of chip revenue in the third quarter of 2014. Third quarter 2014 operating expenses on a non-GAAP basis were \$9.3 million, compared to \$8.7 million in the previous quarter and \$7.0 million in the third quarter of 2013.

For the third quarter of 2014, the Company recorded a non-GAAP net loss of \$0.9 million, or \$0.04 per share, compared to a net loss of \$1.5 million, or \$0.06 per share, in the second quarter of 2014 and net income of \$2.1 million, or \$0.10 per diluted share, in the third quarter of 2013. Adjusted EBITDA in the third quarter of 2014 was \$0.4 million, compared to \$0.2 million in the previous quarter and \$3.5 million in the third quarter of 2013.

“We continued to build on the momentum that we generated in the first half of 2014, with Q3 chip revenue increasing 63% year-over-year,” said Bruce Walicek, President and CEO of Pixelworks. “Additionally, we launched our Iris family of mobile video processors which are gaining strong interest across a wide range of mobile applications. Looking forward, Pixelworks remains ideally positioned to benefit from the increasing importance of video processing as resolutions increase across all displays.”

The Company will discuss the details of its business outlook for the fourth quarter of 2014 during its conference call scheduled for today, October 30, 2014, 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 18018808. A Web broadcast of the call can be accessed by visiting the Company's investor page at www.pixelworks.com. For those unable to listen to the live Web broadcast, it will be archived for approximately 30 days. A replay of the conference call will also be available through Thursday, November 6, 2014, and can be accessed by calling 855-859-2056 and using passcode 18018808.

About Pixelworks, Inc.

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

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

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

Non-GAAP Financial Measures

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

Safe Harbor Statement

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

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

- Financial Tables Follow -

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

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2014	2014	2013	2014	2013
Revenue, net	\$ 17,111	\$ 15,166	\$ 15,309	\$ 45,818	\$ 33,134
Cost of revenue (1)	8,545	7,505	5,987	21,596	15,213
Gross profit	8,566	7,661	9,322	24,222	17,921
Operating expenses:					
Research and development (2)	6,634	5,887	4,234	18,906	16,128
Selling, general and administrative (3)	3,900	3,709	3,296	11,658	10,168
Total operating expenses	10,534	9,596	7,530	30,564	26,296
Income (loss) from operations	(1,968)	(1,935)	1,792	(6,342)	(8,375)
Interest expense and other, net	(123)	(130)	(101)	(375)	(296)
Income (loss) before income taxes	(2,091)	(2,065)	1,691	(6,717)	(8,671)
Provision for income taxes	209	317	182	472	149
Net income (loss)	\$ (2,300)	\$ (2,382)	\$ 1,509	\$ (7,189)	\$ (8,820)
Net income (loss) per share:					
Basic	\$ (0.10)	\$ (0.11)	\$ 0.07	\$ (0.32)	\$ (0.46)
Diluted	\$ (0.10)	\$ (0.11)	\$ 0.07	\$ (0.32)	\$ (0.46)
Weighted average shares outstanding:					
Basic	23,007	22,667	20,128	22,629	19,085
Diluted	23,007	22,667	21,290	22,629	19,085

(1) Includes:

Additional amortization of non-cancelable prepaid royalty	\$ 4	\$ 35	\$ 77	\$ 95	\$ 266
Stock-based compensation	61	41	29	191	100
(2) Includes stock-based compensation	562	413	209	1,801	682
(3) Includes stock-based compensation	634	487	301	1,909	1,041

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, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	\$ 8,566	\$ 7,661	\$ 9,322	\$ 24,222	\$ 17,921
Additional amortization of non-cancelable prepaid royalty	4	35	77	95	266
Stock-based compensation	61	41	29	191	100
Total reconciling items included in cost of revenue	65	76	106	286	366
Non-GAAP gross profit	\$ 8,631	\$ 7,737	\$ 9,428	\$ 24,508	\$ 18,287
Non-GAAP gross profit margin	50.4%	51.0%	61.6%	53.5%	55.2%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	\$ 10,534	\$ 9,596	\$ 7,530	\$ 30,564	\$ 26,296
Reconciling item included in research and development:					
Stock-based compensation	562	413	209	1,801	682
Reconciling item included in selling, general and administrative:					
Stock-based compensation	634	487	301	1,909	1,041
Total reconciling items included in operating expenses	1,196	900	510	3,710	1,723
Non-GAAP operating expenses	\$ 9,338	\$ 8,696	\$ 7,020	\$ 26,854	\$ 24,573
Reconciliation of GAAP and non-GAAP net income (loss)					
GAAP net income (loss)	\$ (2,300)	\$ (2,382)	\$ 1,509	\$ (7,189)	\$ (8,820)
Reconciling items included in cost of revenue	65	76	106	286	366
Reconciling items included in operating expenses	1,196	900	510	3,710	1,723
Tax effect of non-GAAP adjustments	91	(47)	8	6	(17)
Non-GAAP net income (loss)	\$ (948)	\$ (1,453)	\$ 2,133	\$ (3,187)	\$ (6,748)
Non-GAAP net income (loss) per share:					
Basic	\$ (0.04)	\$ (0.06)	\$ 0.11	\$ (0.14)	\$ (0.35)
Diluted	\$ (0.04)	\$ (0.06)	\$ 0.10	\$ (0.14)	\$ (0.35)
Non-GAAP weighted average shares outstanding:					
Basic	23,007	22,667	20,128	22,629	19,085
Diluted	23,007	22,667	21,290	22,629	19,085

* Our non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP net income (loss) and non-GAAP net income (loss) per share differs from GAAP gross profit, GAAP operating expenses, GAAP net income (loss) and GAAP net income (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			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2014	2014	2013	2014	2013
Reconciliation of GAAP net income (loss) and adjusted EBITDA					
GAAP net income (loss)	\$ (2,300)	\$ (2,382)	\$ 1,509	\$ (7,189)	\$ (8,820)
Stock-based compensation	1,257	941	539	3,901	1,823
Additional amortization of non-cancelable prepaid royalty	4	35	77	95	266
Tax effect of non-GAAP adjustments	91	(47)	8	6	(17)
Non-GAAP net income (loss)	\$ (948)	\$ (1,453)	\$ 2,133	\$ (3,187)	\$ (6,748)
EBITDA adjustments:					
Depreciation and amortization	\$ 1,130	\$ 1,141	\$ 1,103	\$ 3,415	\$ 3,242
Interest expense and other, net	123	130	101	375	296
Non-GAAP provision for income taxes	118	364	174	466	166
Adjusted EBITDA	<u>\$ 423</u>	<u>\$ 182</u>	<u>\$ 3,511</u>	<u>\$ 1,069</u>	<u>\$ (3,044)</u>

* Adjusted EBITDA differs from GAAP net income (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)

	September 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 19,315	\$ 20,805
Accounts receivable, net	6,124	4,761
Inventories	2,428	1,663
Prepaid expenses and other current assets	1,126	2,858
Total current assets	28,993	30,087
Property and equipment, net	6,737	4,084
Other assets, net	1,673	2,573
Total assets	<u>\$ 37,403</u>	<u>\$ 36,744</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,202	\$ 1,327
Accrued liabilities and current portion of long-term liabilities	10,186	10,505
Current portion of income taxes payable	267	92
Short-term line of credit	3,000	3,000
Total current liabilities	16,655	14,924
Long-term liabilities, net of current portion	1,686	677
Income taxes payable, net of current portion	2,115	2,201
Total liabilities	20,456	17,802
Shareholders' equity	16,947	18,942
Total liabilities and shareholders' equity	<u>\$ 37,403</u>	<u>\$ 36,744</u>

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**Pixelworks, Inc. Q3 2014 Conference Call
October 30, 2014**

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 third quarter ended September 30, 2014.

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

All forward-looking statements are based on the Company's beliefs as of today, Thursday, October 30, 2014, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2013, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

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

Included in the Company's press release are definitions and reconciliations of GAAP to non-GAAP net 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 third quarter financial results, and then provide our outlook for the fourth quarter of 2014.

Bruce Walicek, CEO

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

Q3 2014 Results

- Q3 2014, was another quarter of growth, as overall revenues of \$17.1M were up 12% year over year, driven by accelerating growth in our product business, which grew 63% versus the year ago quarter, marking the highest chip revenue level in 4 years.
- All other metrics were solidly within the range of guidance, and we generated positive EBITDA for the quarter.
- While we experienced a very strong Q3, we began to see some moderating of order patterns in our customer base and expect to see seasonality earlier than typical, going into the end of the year.
- That being said, we expect significant overall growth in 2015 in our current products business driven primarily by our co-development project.
- Steve will review the results of the quarter and provide the outlook later in this call.

Iris mobile video processors/ Mobile screen applications

- Q3 was a great quarter of progress as we launched the Iris product line targeted at mobile applications, and delivered initial silicon samples of our first device in a family of mobile video processors.
- Iris is the industry's first mobile video processor designed to bring the cinematic experience of large screens to mobile screens, while enhancing system performance and lowering power consumption.
- Iris represents several years of research to leverage Pixelworks' technology and expertise in large screen applications, to create the best video quality in smaller mobile displays as well.

Iris value proposition

- The PX3883 is the first device in the product line of Iris chips on our roadmap based on our advanced video display processing and addresses the markets for mobile devices with high resolution screens from 5.5 to 15 inches.
- Iris technology not only optimizes all aspects of the display that affect video quality, but it also works at the system level, improving battery life and freeing up valuable system resources to create the optimal viewing experience.

Iris launch/ traction

- Interest in Iris from our customer base and partner ecosystem is very strong, and we are seeing excellent momentum and a wide range of design opportunities for Iris.
- The value propositions of Iris are resonating with customers and partners as they face the increasing challenges of delivering a great visual experience without reducing battery life.
- Historically, this level of dedicated video processing, has only been applied to large screens, but next generation displays are requiring innovative video solutions as companies begin to recognize the importance of the visual experience to the differentiation and positioning of their products.

Pixelworks' Value and Expertise

- Pixelworks' core video technology and expertise applies across the spectrum of screen sizes from 5.5 inches to large projected displays and we continue to see a robust licensing pipeline for our advanced video processing technology.
 - Our expansion into smaller display sizes from 5.5 to 15 inches positions the company to address a large market opportunity and ride the explosive 3rd wave of video, as resolutions rise across all screens.
 - We will be showing our current and future generation technology for all displays and demoing the PX8338 running on Intel and Qualcomm platforms at the upcoming Consumer Electronics Show in January.
 - Delivering great video quality is an art as well as a science, and it takes many years to develop the expertise necessary to provide solutions that are tested by the industry's most demanding customers.
 - Pixelworks has a long history of delivering innovative video processing solutions for large screens, and has now brought that expertise and innovation to mobile screens as well.
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- By building on 15+ years of expertise, a portfolio of over 125 issued patents and experience in the marketplace solving the most difficult video problems, our latest technology represents the culmination of over a decade of video processing innovation.

Trends

- Increasing mobile video consumption is a key driving factor of the need for next generation video solutions, as consumers increasingly view their content on Ultrabooks™, tablets, and smartphones.
 - According to the most recent Adobe Digital Index, market share of online video consumption continues to rise on mobile devices with 26% of the 38 billion online videos viewed on a mobile device in Q2 - a market share increase of 59%.
 - And according to eMarketer, U.S. consumers now view more video on mobile devices than on desktops and laptops.
- Another driving factor is the relentless progress of display technology as the industry continues to deliver advancements in increasing resolutions and pixel density with no end in sight.
 - We are just at the beginning of a multi-year transition to higher resolutions across all screens as the entire video ecosystem upgrades to 4K in the coming years.
 - According to the latest forecast from ABI Research, “within five years, 478 million smartphones a year will ship with a UHD 4K display as standard.”
 - But, today mobile devices are in transition to full HD and just beginning to transition to 2K Quad HD displays such as in the recently announced LG G3 smartphone coming in at 538 PPI.
- Higher resolution magnifies video quality issues lessening the consumer experience, and small displays suffer from the same problems as large ones.
- As mobile screens become the 1st screen consumers watch, the same emphasis on video quality and efficiency that is applied to the large screen TV market is beginning to be applied to mobile screens.
- Hollywood is beginning to recognize the problem as well as content creators, and providers are beginning to focus on the problem of accurate presentation of content.
- To that end we announced during the quarter that Pixelworks joined the Entertainment Technology Center which was founded by major Hollywood studios in 1993 with the goal of bringing technology and entertainment visionaries together to collaborate on the future of entertainment technology in conjunction with the University of Southern California’s School of Cinematic Arts.
- In 2015 we will bring innovation to the market to give content creators creative control of the presentation of their content.

Large Screen Projected and Panel Applications

- For large screen projected and panel display applications we continue to see great opportunities across our families of video co-processors, as 4K applications broaden out to include monitor, digital signage, and projected displays in addition to large screen TVs.
 - During the quarter we ramped into high volume production the advanced SOC we developed under our co-development partnership.
 - This is a significant milestone and we expect this project to continue to ramp into next year and drive significant year on year growth in 2015 in our overall product business for large screen applications.
 - We continued to see great design win adoption for our Topaz family of SOCs for projectors,
 - We also introduced VueMagic™ Mate Pro, which is a small Topaz chip based dongle that transforms any display into a connected, collaborative environment by enabling the features of VueMagic™ software.
 - This product doubles the addressable market opportunity for Topaz chips by adding the installed base of non-Topaz based projectors as well as large screen panel displays used in business conference rooms and digital signage applications.
 - VueMagic™ software provides wireless connectivity for mobile devices to Topaz based projectors or dongles and adds features such as live video, as well as advanced content sharing capabilities.
 - There are now over 70 VueMagic™ enabled Topaz based projector models available and growing each quarter.
 - We also released the Android 2.0 version of our VueMagic™ software during the quarter which is a major update for Android based mobile devices and it is now available on Baidu for download to address the growing education market in China.
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- Our latest VueMagic™ hardware and software solutions transform how presenters engage with their audience and increase collaborative sharing of information in business and educational environments.
- We have an exciting roadmap of features and capabilities coming in 2015 that will continue to enhance and expand the VueMagic™ and Topaz platform and provide value to our customers.

Closing Summary

- Q3 2014, was a solid quarter of growth, driven by our product business, that grew 63% versus the year ago quarter, marking the highest chip revenue level in 4 years.
- During the quarter we ramped into high volume production the advanced SOC for large screen applications, we developed under our co-development partnership.
- And while we see some early seasonality going into the end of the year, we expect to see significant growth in our current products for large screen applications business in 2015 versus 2014 primarily driven by our co-development project.
- We launched the Iris product line targeted at mobile applications and delivered silicon samples of our first device the PX3883.
- We introduced the VueMagic™ Mate Pro that extends our market opportunity for our Topaz products.
- We will be demoing our current and future generation technology and products for all displays at the upcoming Consumer Electronics Show in January, so please come by for a visit to our suite if you attend the show.
- 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 third quarter of 2014 was \$17.1 million, up 13% sequentially and up 12% year-over-year. Strong chip sales drove the increased revenue during the quarter.

The split of our third quarter chip revenue by market was:

87% digital projection,
13% TV and panel

Digital projection revenue increased 34% sequentially to \$14.9 million from \$11.1 million in the prior quarter, as we continued to ramp sales of products for new and existing platforms.

Revenue from TV and panel totaled \$2.2 million in the third quarter, compared to \$3.9 million in the second quarter. The quarter-over-quarter decline was due primarily to inventory adjustments at certain customers.

Licensing revenue made a negligible contribution to third quarter revenue. We continuing to expect the recognition of licensing revenue to be lumpy in future quarters.

Non-GAAP gross profit margin was 50.4% in the third quarter, compared to 51.0% in the prior quarter.

Non-GAAP operating expenses were \$9.3 million in the third quarter, compared to \$8.7 million in the prior quarter.

Adjusted EBITDA was a positive \$423,000 for the third quarter, compared to a positive \$182,000 in the second quarter. A reconciliation of adjusted EBITDA to GAAP net income (loss) may be found in today's press release.

On a non-GAAP basis we recorded a net loss of \$950,000, or loss of 4 cents per share, in the third quarter of 2014, as compared to a non-GAAP net loss of \$1.5 million, or loss of 6 cents per share, in the prior quarter.

Moving to the balance sheet, we ended the third quarter with cash and cash equivalents of approximately \$19.3 million, compared to \$20.9 million at the end of the second 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 32 days at quarter-end, compared to 24 days at the end of the second quarter, and inventory turns remained largely in-line with the previous quarter at approximately 12 times.

Guidance

For the fourth quarter of 2014, we expect revenue to be in a range of between \$14 and \$16 million, reflecting early seasonality going into year-end.

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

In terms of operating expenses, we expect the fourth quarter to range between \$8.5 and \$9.5 million on a non-GAAP basis, and \$10 to \$11 million on a GAAP basis.

And finally, we expect a non-GAAP fourth quarter net loss of between 4 and 14 cents per share; and we expect a GAAP net loss of between 11 cents and 21 cents per share.

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