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 27, 2018

PIXELWORKS, INC.
(Exact name of registrant as specified in its charter)

OREGON	**000-30269**	**91-1761992**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

224 Airport Parkway, Suite 400
San Jose, CA 95110
(408) 200-9200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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

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

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

Emerging growth company o

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

Item 2.02 Results of Operations and Financial Condition.

On May 2, 2018, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three month period ended March 31, 2018 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued May 2, 2018 is furnished herewith as Exhibit 99.1, to this Report and a copy of the Company's conference call script announcing these financial results is furnished herewith as Exhibit 99.2. The information in this Item 2.02, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

Item 2.05 Costs Associated with Exit or Disposal Activity.

On April 27, 2018, the Board of Directors (the “Board”) of the Company committed to a restructuring plan to make the operation of the Company more efficient which would result in an approximately 5% reduction in workforce, primarily in the areas of development, marketing and administration. The Board believes adoption of this restructuring plan will help streamline the Company’s operations and workforce, and more appropriately align the Company’s operating expenses with current revenue levels. The Company expects the restructuring to be substantially completed by the end of the third quarter ending September 30, 2018 and expects to incur total estimated restructuring charges of approximately $1.1 million related to employee severance and benefits and approximately $0.9 million related to closing the Hong Kong office and reducing the size of the Toronto office. The Company currently expects that these charges will largely be recorded in the second and third quarters of 2018 and will result in cash expenditures of approximately $2 million over the next four years.

As a result of the restructuring, the Company expects to realize annualized savings of approximately $2.0 million.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated May 2, 2018.
99.2	Pixelworks, Inc. First Quarter Results Conference Call Script dated May 2, 2018.

Forward-Looking Statements:

This Current Report on Form 8-K contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may include terms such as “expects”, “will,” “believes,” and similar expressions and include statements regarding the Company’s restructuring plan, its expectations and estimates regarding the workforce reduction, the objectives of the restructuring plan and the timing thereof, amounts and timing of the charges, cash expenditures and savings to be incurred in connection with the restructuring plan, and the potential impact of the restructuring plan. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. Potential risks and uncertainties that could cause actual results to differ from expected results include, among others, whether the Company will be able to implement the restructuring program as planned, whether additional measures outside those set forth herein will need to be taken to fulfill the objectives of the restructuring plan, 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. It is not possible to predict or identify all risks and uncertainties, and additional significant risks and uncertainties are described in the Company’s Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission. The reader should not place undue reliance on forward-looking statements, which speak only as of the date they are first made. Except to the extent required by law, the Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

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: May 2, 2018

/s/ Steven L. Moore

Steven L. Moore
Vice President, Chief Financial Officer, Secretary and Treasurer

Exhibit 99.1

Pixelworks Reports First Quarter 2018 Financial Results

Quarterly Revenue, Gross Margin and EPS at or above High-End of Guidance Range

Expects Sequential Revenue Growth of 17% to 24% in Second Quarter

SAN JOSE, Calif., May 2, 2018 -- Pixelworks Inc. (NASDAQ: PXLW), a leading provider of power efficient visual processing solutions, today announced financial results for the first quarter ended March 31, 2018.

First Quarter and Recent Highlights

- Shipped volume production orders in support of recently launched Xiaomi Blackshark's gaming smartphone
- Further expanded the number of engagements with mobile OEMs to incorporate Iris display processor
- Unveiled full feature set of 4th generation Iris mobile display processor
- Announced collaboration with Wanda Film Group to establish Film Innovation & Ecosystem Lab in China and develop new technologies for film production and cinema displays
- Satisfied all remaining convertible debt obligations from the 2017 acquisition of ViXS Systems

President and CEO of Pixelworks, Todd DeBonis, commented, "First quarter revenue was at the high-end of our guidance range, reflecting solid performance across our business and expected seasonality in the digital projection market. Favorable product mix contributed to better than anticipated gross margin, and our continued focus on operational efficiencies helped to drive lower than expected operating expenses. As a result, we delivered sequential bottom-line improvement despite the first quarter traditionally being a seasonally soft quarter.

"Since the start of the year, we have made notable progress on our mobile initiative, as highlighted by our recent win for Pixelworks 3rd generation Iris display processor in the Xiaomi Blackshark smartphone. Additionally, today we formally unveiled the full features and advanced video capabilities of our 4th generation mobile display processor, for which we already have multiple active customer engagements. During the first quarter, we also continued to advance the development project with our video delivery customer in Japan, where we are seeing increased traction for consumer electronics applications that leverage Pixelworks XCode family of advanced decoding and transcoding SoCs.

"The relevance of Pixelworks advanced display processing and video delivery technology continues to grow with the prevailing demand for higher quality displays, and we are experiencing increased customer interest across all of our end markets. In addition to our extensive efforts to capitalize on this momentum and drive further adoption of our existing solutions, we are continuing to make meaningful investments in product development as part of cultivating potential expanded opportunities. As a result of our ongoing efforts and progress, we are increasingly confident that Pixelworks is well positioned to deliver sustainable growth and increased profitability in the coming quarters."

First Quarter 2018 Financial Results

Revenue in the first quarter of 2018 was $15.3 million, compared with revenue of $18.4 million in the prior quarter and $22.7 million in the first quarter of 2017. The fourth and first quarters of 2017 included approximately $1.0 million and $9.2 million of legacy end-of-life (EOL) product revenue, respectively. The sequential decrease in first quarter 2018 revenue reflects typical seasonality in the Company's digital projection business.

On a GAAP basis, gross profit margin in the first quarter of 2018 was 51.0%, compared with 49.7% in the fourth quarter of 2017 and 54.6% in the first quarter of 2017. First quarter 2018 GAAP operating expenses were $9.1 million compared with $12.2 million in the fourth quarter of 2017 and $9.0 million in the year-ago quarter.

For the first quarter of 2018, the Company recorded a GAAP net loss of $598,000, or $(0.02) per share, compared with a GAAP net loss of $3.6 million, or $(0.10) per share, in the prior quarter and GAAP net income of $2.8 million, or $0.09 per diluted share, in the first quarter of 2017.

On a non-GAAP basis, first quarter 2018 gross profit margin was 54.2%, compared with 56.9% in the fourth quarter of 2017 and 54.8% in the year-ago quarter. First quarter 2018 non-GAAP operating expenses were $7.8 million, compared with $10.6 million in the prior quarter and $8.3 million in the first quarter of 2017. First quarter 2018 operating expenses, on both a GAAP and non-GAAP basis, included the recognition of approximately $2 million of offsets to R&D related to the Company's ongoing co-development project with a large digital projector customer.

For the first quarter of 2018, non-GAAP net income was $38,000, or $0.00 per diluted share, compared to a non-GAAP net loss of $379,000, or $(0.01) per share, in the previous quarter and non-GAAP net income of $3.8 million, or $0.12 per diluted share, in the first quarter of 2017. Adjusted EBITDA in the first quarter of 2018 was $1.3 million, compared to $778,000 in the fourth quarter of 2017 and $5.0 million in the first quarter of 2017.

Business Outlook

Pixelworks expects revenue to be between $18.0 million and $19.0 million for the second quarter of 2018. Additional guidance will be provided as part of the Company's earnings conference call.

On April 27, 2018, Pixelworks' Board of Directors approved a restructuring plan to further streamline the Company's operations and increase efficiencies in certain areas of the business. The Company expects this restructuring to be substantially completed by the end of the third quarter ending September 30, 2018, and anticipates related charges totaling approximately $2.0 million to be recorded during the second and third quarters of 2018.

Conference Call Information

Pixelworks will host a conference call today, May 2, 2018, at 2:00 p.m. Pacific Time, which can be accessed by calling 877-359-9508 and using passcode 5398377. 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 10, 2018, and can be accessed by calling 855-859-2056 and using passcode 5398377.

About Pixelworks, Inc.

Pixelworks creates, develops and markets high efficiency visual display processing and advanced video delivery solutions for the highest quality display and streaming applications. The Company's 20 year history of Image Processing innovation has yielded 500+ patents covering Display Processing and Video Delivery. 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 exclude amortization of deferred revenue fair value adjustment, inventory step-up and backlog amortization, amortization of acquired intangible assets, acquisition and integration related costs, stock-based compensation expense, restructuring expenses, fair value adjustment on convertible debt conversion option, discount accretion on convertible debt fair value, gain on extinguishment of convertible debt and a tax benefit associated with new tax treatment under the tax reform, which are all required under GAAP as well as the tax effect of the non-GAAP adjustments. The press release also makes reference to and reconciles GAAP net income (loss) and adjusted EBITDA, which Pixelworks defines as GAAP net income (loss) before interest expense and other, net, income tax provision, depreciation and amortization, as well as the specific items listed above.

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

In calculating the above non-GAAP results, management specifically adjusted for certain items related to the acquisition of ViXS Systems, Inc., including amortization of acquired intangible assets, impact of inventory step up and deferred revenue both related to fair valuing the items, acquisition and integration related costs such as accounting and legal fees and CEO severance, restructuring expenses related to a reduction in workforce, accretion on convertible debt of ViXS fair value adjustments on embedded derivative features of such convertible debt and extinguishment of such convertible debt. Management considers these items as either limited in term or having no impact on Pixelworks' cash flows, and therefore has excluded such items to facilitate a review of current operating performance and comparisons to our past operating performance.

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

Safe Harbor Statement

This release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "expect", "believe," "anticipate" and similar terms or the negative of such terms, and include, without limitation, statements about the Company's digital projection, mobile and OTA businesses, including market movement and demand, customer engagements, and growth in the mobile and video delivery markets, synergies and additional guidance. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: whether the Company will be able to implement the restructuring program as planned, whether the expected amount of the costs associated with the restructuring program will differ from or exceed the Company's estimates and whether the Company will be able to realize the full amount of estimated savings from the restructuring program or within the timeframe expected; our ability to execute on our strategy, including the integration of ViXS; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; the success of our products in expanded markets; current global economic challenges; changes in the digital display and projection markets; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially from those discussed in the forward-looking statements is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2017 as well as subsequent SEC filings.

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

- Financial Tables Follow -

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

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Revenue, net (1)	$ 15,292	$ 18,448	$ 22,710
Cost of revenue (2)	7,490	9,288	10,318
Gross profit	7,802	9,160	12,392
Operating expenses:			
Research and development (3)	4,463	6,695	4,906
Selling, general and administrative (4)	4,614	5,068	4,139
Restructuring	19	439	—
Total operating expenses	9,096	12,202	9,045
Income (loss) from operations	(1,294)	(3,042)	3,347
Interest income (expense) and other, net (5)	972	(919)	(93)
Income (loss) before income taxes	(322)	(3,961)	3,254
Provision (benefit) for income taxes (6)	276	(409)	433
Net income (loss)	$ (598)	$ (3,552)	$ 2,821
Net income (loss) per share:			
Basic	$ (0.02)	$ (0.10)	$ 0.10
Diluted	$ (0.02)	$ (0.10)	$ 0.09
Weighted average shares outstanding:			
Basic	35,183	34,359	29,283
Diluted	35,183	34,359	31,146

(1) Includes deferred revenue fair value adjustment	$ —	$ 68	$ —
(2) Includes:			
Amortization of acquired intangible assets	298	298	—
Inventory step-up and backlog amortization	122	949	—
Stock-based compensation	66	64	53
(3) Includes stock-based compensation	595	527	314
(4) Includes:			
Stock-based compensation	539	556	422
Amortization of acquired intangible assets	101	101	—
Acquisition and integration	—	(45)	—
(5) Includes:			
Gain on debt extinguishment	(1,272)	(29)	—
Discount accretion on convertible debt fair value	69	124	—
Fair value adjustment on convertible debt conversion option	—	621	—
(6) Includes benefit related to tax reform	—	(343)	—

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

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Reconciliation of GAAP and non-GAAP gross profit			
GAAP gross profit	$ 7,802	$ 9,160	$ 12,392
Amortization of acquired intangible assets	298	298	—
Inventory step-up and backlog amortization	122	949	—
Stock-based compensation	66	64	53
Deferred revenue fair value adjustment	—	68	—
Total reconciling items included in gross profit	486	1,379	53
Non-GAAP gross profit	$ 8,288	$ 10,539	$ 12,445
Non-GAAP gross profit margin	54.2%	56.9%	54.8%
Reconciliation of GAAP and non-GAAP operating expenses			
GAAP operating expenses	$ 9,096	$ 12,202	$ 9,045
Reconciling item included in research and development:			
Stock-based compensation	595	527	314
Reconciling items included in selling, general and administrative:			
Stock-based compensation	539	556	422
Amortization of acquired intangible assets	101	101	—
Acquisition and integration	—	(45)	—
Restructuring	19	439	—
Total reconciling items included in operating expenses	1,254	1,578	736
Non-GAAP operating expenses	$ 7,842	$ 10,624	$ 8,309
Reconciliation of GAAP and non-GAAP net income (loss)			
GAAP net income (loss)	$ (598)	$ (3,552)	$ 2,821
Reconciling items included in gross profit	486	1,379	53
Reconciling items included in operating expenses	1,254	1,578	736
Reconciling items included in interest expense and other, net	(1,203)	716	—
Tax effect of non-GAAP adjustments	99	(157)	155
Benefit related to tax reform	—	(343)	—
Non-GAAP net income (loss)	$ 38	$ (379)	$ 3,765
Non-GAAP net income (loss) per share:			
Basic	$ 0.00	$ (0.01)	$ 0.13
Diluted	$ 0.00	$ (0.01)	$ 0.12
Non-GAAP weighted average shares outstanding:			
Basic	35,183	34,359	29,283
Diluted	37,306	34,359	31,146

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP EARNINGS PER SHARE
(Figures may not sum due to rounding)
(Unaudited)

	Three Months Ended					
	March 31, 2018		December 31, 2017		March 31, 2017	
	Dollars per share		Dollars per share		Dollars per share	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of GAAP and non-GAAP net income (loss)						
GAAP net income (loss)	$ (0.02)	$ (0.02)	$ (0.10)	$ (0.10)	$ 0.10	$ 0.09
Reconciling items included in gross profit	0.01	0.01	0.04	0.04	—	—
Reconciling items included in operating expenses	0.04	0.03	0.05	0.05	0.03	0.02
Reconciling items included in interest expense and other, net	(0.03)	(0.03)	0.02	0.02	—	—
Tax effect of non-GAAP adjustments	—	—	—	—	0.01	—
Benefit related to tax reform	—	—	(0.01)	(0.01)	—	—
Non-GAAP net income (loss)	$ 0.00	$ 0.00	$ (0.01)	$ (0.01)	$ 0.13	$ 0.12

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures" in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

PIXELWORKS, INC.
RECONCILIATION OF GAAP AND NON-GAAP GROSS PROFIT MARGIN *
(Figures may not sum due to rounding)
(Unaudited)

	Three Months Ended		
	March 31, 2018	**December 31, 2017**	**March 31, 2017**
Reconciliation of GAAP and non-GAAP gross profit margin			
GAAP gross profit margin	51.0%	49.7%	54.6%
Amortization of acquired intangible assets	1.9	1.6	—
Inventory step-up and backlog amortization	0.8	5.1	—
Stock-based compensation	0.4	0.3	0.2
Amortization of deferred revenue fair value adjustment	—	0.4	—
Total reconciling items included in gross profit	3.2	7.4	0.2
Non-GAAP gross profit margin	54.2%	56.9%	54.8%

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures” in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

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

	Three Months Ended		
	March 31, 2018	December 31, 2017	March 31, 2017
Reconciliation of GAAP net income (loss) and adjusted EBITDA			
GAAP net income (loss)	$ (598)	$ (3,552)	$ 2,821
Gain on debt extinguishment	(1,272)	(29)	—
Stock-based compensation	1,200	1,147	789
Amortization of acquired intangible assets	399	399	—
Tax effect of non-GAAP adjustments	99	(157)	155
Inventory step-up and backlog amortization	122	949	—
Discount accretion on convertible debt fair value	69	124	—
Restructuring	19	439	—
Benefit related to tax reform	—	(343)	—
Fair value adjustment on convertible debt conversion option	—	621	—
Amortization of deferred revenue fair value adjustment	—	68	—
Acquisition and integration	—	(45)	—
Non-GAAP net income (loss)	$ 38	$ (379)	$ 3,765
EBITDA adjustments:			
Depreciation and amortization	$ 826	$ 863	$ 839
Non-GAAP Interest expense and other, net	231	203	93
Non-GAAP provision for income taxes	177	91	278
Adjusted EBITDA	$ 1,272	$ 778	$ 4,975

*Set forth above are reconciliations of the non-GAAP financial measure to the most directly comparable GAAP financial measure. The non-GAAP financial measure disclosed by the company has limitations and should not be considered a substitute for, or superior to, the financial measure prepared in accordance with GAAP, and the reconciliations from GAAP to Non-GAAP actuals should be carefully evaluated. Please refer to "Non-GAAP Financial Measures” in this document for an explanation of the adjustments made to the comparable GAAP measures, the ways management uses the non-GAAP measures, and the reasons why management believes the non-GAAP measures provide useful information for investors.

PIXELWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 20,611	$ 27,523
Accounts receivable, net	4,451	4,640
Inventories	2,589	2,846
Prepaid expenses and other current assets	3,736	1,328
Total current assets	31,387	36,337
Property and equipment, net	5,871	5,605
Other assets, net	1,341	1,338
Acquired intangible assets, net	5,457	5,856
Goodwill	18,407	18,407
Total assets	$ 62,463	$ 67,543
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable	$ 3,092	$ 1,436
Accrued liabilities and current portion of long-term liabilities	12,574	16,387
Current portion of income taxes payable	355	445
Total current liabilities	16,021	18,268
Long-term liabilities, net of current portion	1,173	1,487
Income taxes payable, net of current portion	2,353	2,282
Convertible debt	—	6,069
Total liabilities	19,547	28,106
Shareholders’ equity	42,916	39,437
Total liabilities and shareholders’ equity	$ 62,463	$ 67,543

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Exhibit 99.2

Pixelworks, Inc. Q1 2018 Conference Call
May 2, 2018

Operator

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

Steve Moore

Good afternoon and thank you for joining us today. With me on the call is Todd DeBonis, Pixelworks' President and CEO. The purpose of today's conference call is to supplement the information provided in our press release issued earlier today announcing the Company's financial results for the first quarter 2018.

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

All forward-looking statements are based on the Company's beliefs as of today, Wednesday, May 2, 2018, and we undertake no obligation to update any such statements to reflect events or circumstances occurring after today. Please refer to today's press release, our Annual Report on Form 10-K for the year ended December 31, 2017, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

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

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

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

Todd DeBonis

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

As reported in today's press release, our first quarter financial results were at or above the high-end of our guidance range that we provided in mid-February. Revenue for the quarter was $15.3 million, with the sequential decline reflecting the typical first quarter seasonality in our core projector business. Gross margin and operating expenses both came in slightly better than expected in the first quarter - and as a result we achieved breakeven EPS on a non-GAAP basis. Also during the quarter, we successfully converted or paid off all remaining convertible debt that we acquired as part of the ViXS transaction last August.

Before walking through our end markets and recent customer traction, I want to make a few brief comments on operations. Over the last two years, we've taken numerous actions to streamline our product portfolio and successfully implement initiatives to drive increased efficiencies across the organization. As part of our ongoing effort to position Pixelworks to deliver long-term sustainable growth and increased profitability, in late April we implemented a relatively small restructuring to further improve operational efficiencies and prioritize the allocation of resources for near-term revenue growth. As part of this plan, we anticipate recognizing charges in the second and third quarters totaling approximately $2 million. Note, these actions will have no impact on our strategy, prospective growth opportunities or any of our current customer engagements.

With that, I'll now turn to an update on our end markets of Projector, Video Delivery and Mobile.

Beginning with our core Projector business - revenue was sequentially lower but in-line with typical first quarter seasonality. As a reminder, Pixelworks' SoCs represent a large majority of the 3-LCD market share. Many of our largest projector customers are based in Japan and have fiscal years ending in March, and these OEMs are incentivized to close-out their fiscal year-end with as little inventory as possible. This in addition to consumer buying patterns is what drives seasonally lower demand and revenue in our calendar first quarter. As such, our projector business performed as expected, and we anticipate solid sequential growth in the second quarter.

During the quarter, we continued to make good progress on our co-development of a next-generation SoC for a large projector customer. This project remains on schedule, and we recorded an approximately $2 million offset to R&D during the first quarter associated with the achievement of specific development milestones. We are on track to release this new chip for production by the end of year. Notably, although this SoC is being developed with a specific large customer, we expect to quickly leverage the resulting intellectual property in the development of similar chips for other projector customers.

More broadly, the projector market looks to be healthy and Pixelworks remains well positioned. We continue to have good near-term visibility with our customers - and both channel inventories and backlog are consistent with expected seasonal patterns. Given what we believe is a normalized demand environment, we expect the projector market to be flat- to slightly-up in 2018. Finally, bookings for the current quarter are solidly higher, and this is reflected in our second quarter guidance.

Turning to Video Delivery - This portion of our business performed largely as expected in the first quarter and revenue was consistent with the normalized annual run-rate of roughly $10 million exiting 2017, which we outlined on our previous conference call. Following our completed integration of the video delivery business in the fourth quarter, we are increasing focus on two meaningful market opportunities. The first is the consumer electronics market in Japan, and the second is over-the-air or OTA streaming - primarily here in the U.S.

In Japan, we continue to see healthy traction for our XCode family of advanced decoding and transcoding SoCs, which enable HD and UHD Blu-ray playback and recording in branded set-top-box devices. Unlike in the U.S. where dedicated equipment is issued to the consumer by a service provider, such as Comcast or Charter Communications, many Japanese consumers purchase their own set-top boxes that support over-the-air Terrestrial Broadcast signals. This market is predominately served by four consumer electronics suppliers. Japan has been trialing a new advanced standard called ADSB-T that will support Terrestrial Broadcast in 4K and HDR quality. This service is expected to go live in December 2018, and we currently have multiple programs that are scheduled to be released in advance of this roll-out.

In OTA streaming, a combination of current market dynamics and the consumer's desire for more control over their video content is increasingly driving more traditional pay-tv subscribers to cut-the-cord. According to a video trends report published by Tivo in March, 87% of cord-cutters canceled their pay-tv service because it was too expensive. A growing number of these consumers are embracing cheaper OTT alternatives that offer a'la carte or skinny bundles, and many cord-cutters combine these OTT services with an OTA antenna to access their local HD broadcast channels for free. Pixelworks' transcoder chips enable the streaming of live HD broadcast television to wireless devices throughout the home, including smart TVs, streaming media players, smartphones and tablets. Today, our transcoders can be found in several single, dual and quad channel OTA solutions that are being shipped by several OEM's. We continue to believe that OTA represents a significant growth opportunity as consumers increasingly embrace alternatives to traditional pay-tv, and we are actively working with both our existing customers as well as other ecosystem partners to develop more seamless and integrated solutions for cord-cutters.

Looking forward, we remain excited by the emerging opportunities across our video delivery business. We continue to have significant activity and expanding customer engagements in both the consumer electronics market in Japan and OTA in North America. Near-term, our anticipated growth in video delivery is most likely to be weighted toward the end of 2018, coinciding with the launch of products supporting the new Broadcast standard in Japan.

Shifting to our Mobile business - Although contribution was still relatively modest, mobile revenue increased sequentially and year-over-year in the first quarter as we began shipping volume production orders in support of the April launch of Blackshark's gaming smartphone. Notably, at Xiaomi Blackshark's official launch event in Beijing, Pixelworks was one of only two component suppliers mentioned during the Blackshark's CEO on-stage introduction of the phone. The launch event received a significant amount of media coverage, resulting in great visibility for both the smartphone itself and Pixelworks' display technology.

Our 3rd-generation Iris chip provides this innovative smartphone for mobile gamers with a full suite of advanced display technologies, including High Dynamic Range, sophisticated color mapping and contrast management, as well as Pixelworks' proprietary and industry-leading motion estimation motion compensation. Collectively, the capabilities provided by our Iris processor enable Xiaomi Blackshark's gaming smartphone to deliver advanced display processing that matches today's leading flagship smartphones. Early indications suggest there has been strong demand for Blackshark phone.

Additionally, today we formally unveiled the full feature set of our 4th generation Iris mobile display processor, which we began sampling to customers in the fourth quarter of last year and subsequently released for production in early 2018. Not intended to be an upgrade or replacement for the 3rd generation Iris chip, our 4th gen Iris provides a distinctly different feature set - and it was specifically designed to lower the barriers to adoption for mobile OEMs. The 4th-generation Iris has a smaller physical profile that requires 45% less board space and it consumes 40% less power than its predecessor, while still delivering an unparalleled suite of advanced video capabilities, including: mobile HDR video for both OLED and LCD displays, our auto-adaptive True View technology that adjusts the display based on ambient lighting, as well as industry-leading color accuracy. In addition to having a significantly lower cost-point, the 4th generation Iris also features real-time conversion of SDR (or Standard Dynamic Range) video content to HDR quality video.

Given that our focus is predominantly on Asian handset OEMs, we've received a number of questions about the U.S. Department of Commerce's recent actions related to exports to a specific OEM in China. First, I want to remind investors that our existing pipeline of mobile engagements span four different regions in Asia, and not just China. That said, we do have multiple programs with the OEM in question, that we anticipated to launch in the second and third quarter of this year - and we are hopeful this customer reaches a quick resolution with the U.S. Department of Commerce. However, regardless of the outcome related to this customer - I want to emphasize that our expectation for a meaningful ramp of mobile revenue from our collective engagements is still intact, though it may ultimately be more pronounced in the back half of 2018.

With that said, as the demand for advanced display processing grows so have our customer engagements and active programs. Since the beginning of the year, the number of customer programs have notably increased to the level that we needed to adjust support resources, and the sales force is now rigorously pre-qualifying all new engagements to align with our objectives.

Given the significant product traction and customer activity just outlined across our mobile business, we remain confident that we will experience a meaningful ramp in mobile revenue in 2018, which will accelerate further in 2019 as OEMs launch an increasing number of smartphones that incorporate Pixelworks' display processing technology.

Before providing my concluding remarks, there is one additional area I would like to highlight. As indicated on previous calls, a portion of our ongoing research and development activity is dedicated to cultivating complementary market opportunities - these are areas where we believe Pixelworks can leverage its industry-leading display processing and video delivery technology. As part of one of these ongoing development initiatives, earlier this week we announced our collaboration with Wanda Film Group to establish a Film Innovation & Ecosystem Lab in China. This lab extends Pixelworks' existing R&D efforts with the objective of creating new tools and technology for cinema displays. Note, while we don't expect a direct monetary benefit from this collaboration in the near-term, we do believe this development lab represents longer-term potential to offer new technology and commercial solutions for movie production and theatrical presentation.

In summary, the first quarter reflected a solid start to the year. The relevance of Pixelworks advanced display processing and video delivery technology is growing rapidly with the prevailing demand for higher quality displays and associated content. We are well positioned with innovative products in each of our target end markets. Within mobile, customer interest and the number of programs we are engaged in has increased dramatically over the last 6 months, and we continue to anticipate a meaningful ramp in mobile revenue in 2018. Equally important, we continue to drive operational efficiencies and optimize the allocation of resources in order to capitalize on multiple growth opportunities while also remaining cognizant of our near-term bottom line results.

With that I'll turn the call over to Steve to review our first quarter financials and guidance for the second quarter in more detail. Steve?

Steve Moore

Thank you, Todd.

Revenue for the first quarter of 2018 was $15.3 million, which reflected the expected first quarter seasonality in our digital projection business. This compared to $18.4 million in the fourth quarter of 2017, and revenue of $22.7 million in the first quarter of 2017. Revenue in the comparative periods included approximately $1.0 million and $9.2 million of legacy end-of-life product revenue, respectively.

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

Revenue from Digital Projector was approximately $12.3 million.

Mobile revenue was approximately $430,000.

And revenue from Video Delivery was $2.4 million.

Additionally, we recorded approximately $144,000 of legacy TV & Panel product sold.

Non-GAAP gross profit margin was 54.2% in the first quarter of 2018, compared to 56.9% in the fourth quarter of 2017 and 54.8% in the first quarter of 2017.

Non-GAAP operating expenses were $7.8 million in the first quarter of 2018, compared to $10.6 million in the fourth quarter of 2017 and $8.3 million in the first quarter of 2017. Lower operating expenses in the first quarter of 2018 were primarily due to the recognition of approximately $2 million offset to R&D associated with our co-development project with a large projector customer.

Adjusted EBITDA was $1.3 million for the first quarter of 2018, compared to $778,000 in the fourth quarter of 2017 and $5.0 million in the first quarter of 2017. A reconciliation of adjusted EBITDA to GAAP net income/loss may be found in today's press release.

We reported non-GAAP net income of $38,000, or breakeven on a per share basis, in the first quarter of 2018, as compared with a non-GAAP net loss of $379,000, or loss of a penny per share, in the prior quarter, and non-GAAP net income of $3.8 million, or 12 cents per diluted share, in the first quarter of 2017.

Moving to the balance sheet, we ended the first quarter with cash and cash equivalents of approximately $20.6 million, a decrease of $6.9 million from the end of 2017, primarily reflecting a combination of cash used in operations and the pay-off of all remaining convertible debt that was acquired as part of ViXS.

Other balance sheet metrics include day’s sales outstanding of 26 days at quarter-end, compared with 23 days at the end of the fourth quarter 2017. Inventory turns during the first quarter of 2018 were 12.0 times, compared to 10.6 times in the prior quarter.

Before turning to guidance, as Todd mentioned the Board of Directors approved a restructuring plan at the end of April to further streamline our operations and improve efficiencies. We expect this relatively small restructuring to be substantially completed by the end of the third quarter, and we expect to record charges in the second and third quarters of 2018 totaling approximately $2.0 million.

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

We expect revenue to be in a range of between $18.0 and $19.0 million.

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

For operating expenses, we expect the second quarter to range between $9.5 million and $10.5 million on a non-GAAP basis. Note, unlike in the first quarter of 2018, our expectations for operating expenses in the second quarter do not anticipate any offsets to R&D related to our co-development project with a large digital projector customer.

And finally, we expect second quarter non-GAAP EPS to be in a range of between a loss of $0.04 per basic share and income of $0.02 per diluted share.

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