

**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): February 4, 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 February 4, 2016, Pixelworks, Inc. (the “Company”) issued a press release announcing financial results for the three and twelve month periods ended December 31, 2015 and held a conference call to discuss the Company's financial results. The press release and conference call contain forward-looking statements regarding the Company, and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated.

The press release issued February 4, 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 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release issued by Pixelworks, Inc. dated February 4, 2016.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 4, 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: February 4, 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 February 4, 2016.
99.2	Pixelworks, Inc. Fourth Quarter Results Conference Call Script dated February 4, 2016.



Pixelworks Reports Fourth Quarter 2015 Financial Results

Digital projector revenue grows 15% year-over-year in 2015

SAN JOSE, Calif., February 4, 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 fourth quarter and fiscal year ended December 31, 2015.

Revenue for the full year 2015 was \$59.5 million, compared to \$60.9 million in 2014. Revenue from chips sold into the digital projector market increased 15% year-over-year, and the Company recorded its first revenue from video processors for mobile devices in the second half of 2015. Offsetting the contributions from sales into the digital projector and mobile device markets was a decrease in sales of chips into the television and panel markets as well as significantly lower licensing revenue compared to 2014.

For the fourth quarter 2015, revenue was \$13.5 million, compared to \$16.6 million in the prior quarter and \$15.1 million in the fourth quarter of 2014. The sequential decline in revenue was primarily driven by a weaker demand environment in China and emerging markets for the Company's projector chips.

On a GAAP basis, gross profit margin in the fourth quarter of 2015 was 50.6%, compared to 50.0% in the third quarter of 2015 and 50.0% in the fourth quarter of 2014. Fourth quarter 2015 GAAP operating expenses were \$9.7 million, compared to \$9.5 million in the previous quarter and \$10.2 million in the fourth quarter of 2014.

For the fourth quarter of 2015, the Company recorded a GAAP net loss of \$3.2 million, or \$0.11 per share, compared to a GAAP net loss of \$1.2 million, or \$0.05 per share, in the third quarter of 2015 and GAAP net loss of \$2.8 million, or \$0.12 per share, in the fourth quarter of 2014.

On a non-GAAP basis, fourth quarter 2015 gross profit margin was 50.9%, compared to 50.2% in the third quarter of 2015 and 50.3% in the fourth quarter of 2014. Fourth quarter 2015 gross profit margin increased compared to the prior periods due to a more favorable mix of chips sold into the digital projector market during the quarter. Fourth quarter 2015 operating expenses on a non-GAAP basis were \$8.8 million, compared to \$8.5 million in the previous quarter and \$8.8 million in the fourth quarter of 2014.

For the fourth quarter of 2015, the Company recorded a non-GAAP net loss of \$2.2 million, or \$0.08 per share, compared to a non-GAAP net loss of \$0.2 million, or \$0.01 per share, in the third quarter of 2015 and non-GAAP net loss of \$1.4 million, or \$0.06 per share, in the fourth quarter of 2014. Adjusted EBITDA in the fourth quarter of 2015 was a negative \$0.9 million, compared to a positive \$0.9 million in the previous quarter and a negative \$0.1 million in the fourth quarter of 2014.

"Fourth quarter results were within the range of guidance, however our core digital projection business was impacted by the weaker macro environment, especially in the emerging markets. Despite recent headwinds, digital projection revenue grew 15% in 2015 as a result of strong market share gains," said Stephen Domenik, Pixelworks' interim CEO. "In our mobile business, we made further progress throughout the year on customer validation and early market adoption, as demonstrated by production shipments of Iris chips in support of ASUS' flagship ZenPad tablet.

"Although we expect revenue in the first quarter to reflect greater than normal seasonality in our digital projection business, we are beginning to see early signs of improvement from customers and have growing confidence that we will return to growth in the second quarter. Our outlook for mobile remains promising, as we look to further leverage our first-mover advantage."

The Company will discuss the details of its business outlook for the first quarter of 2016 during its conference call scheduled for today, February 4, 2016, 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 26299806. 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, February 11, 2016, and can be accessed by calling 855-859-2056 and using passcode 26299806.

About Pixelworks, Inc.

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

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

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

Non-GAAP Financial Measures

This earnings release makes reference to non-GAAP gross profit margins, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share, which excludes stock-based compensation expense and additional amortization of a non-cancelable prepaid royalty, which are required under GAAP. The press release also reconciles GAAP net loss and adjusted EBITDA, which Pixelworks defines as GAAP net loss before interest expense and other, net, income tax provision (benefit), 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 Stephen Domenik's quote with respect to the Company's growth opportunities, product shipments, product demand, customer engagements, and the Company's potential and position for the future, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by use of terms such as "begin," "continue," "will," "believe," and similar terms or the negative of such terms. All statements other than statements of historical fact are forward-looking statements for purposes of this release, including any projections of revenue or other financial items or any statements regarding the plans and objectives of management for future operations. Such statements are based on management's current expectations, estimates and projections about the Company's business. These statements are not guarantees of future performance and involve numerous risks, uncertainties and assumptions that are difficult to predict. Actual results could vary materially from those contained in forward looking statements due to many factors, including, without limitation: our ability to deliver new products in a timely fashion; our new product yield rates; changes in estimated product costs; product mix; supply of products from third-party foundries; failure or difficulty in achieving design wins; timely customer transition to new product designs; competitive factors, such as rival chip architectures, introduction or traction by competing designs, or pricing pressures; risks related to licensing our intellectual property; the success of our products in expanded markets; current global economic challenges; levels of inventory at distributors and customers; changes in the digital display and projection markets; changes in customer ordering patterns or lead times; seasonality in the consumer electronics market; our efforts to achieve profitability from operations; insufficient, excess or obsolete inventory and variations in inventory valuation; the outcome of any litigation related to our intellectual property rights; our limited financial resources and our ability to attract and retain key personnel. More information regarding potential factors that could affect the Company's financial results and could cause actual results to differ materially is included from time to time in the Company's Securities and Exchange Commission filings, including our Annual Report on Form 10-K for the year ended December 31, 2014 as well as subsequent SEC filings.

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

- Financial Tables Follow -

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

	Three Months Ended			Twelve Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2015	2015	2014	2015	2014
Revenue, net	\$ 13,477	\$ 16,570	\$ 15,105	\$ 59,517	\$ 60,923
Cost of revenue (1)	6,663	8,292	7,546	30,224	29,142
Gross profit	6,814	8,278	7,559	29,293	31,781
Operating expenses:					
Research and development (2)	6,076	6,145	6,390	24,644	25,296
Selling, general and administrative (3)	3,648	3,334	3,776	14,453	15,434
Total operating expenses	9,724	9,479	10,166	39,097	40,730
Loss from operations	(2,910)	(1,201)	(2,607)	(9,804)	(8,949)
Interest expense and other, net	(129)	(105)	(118)	(446)	(493)
Loss before income taxes	(3,039)	(1,306)	(2,725)	(10,250)	(9,442)
Provision (benefit) for income taxes	128	(63)	46	320	518
Net loss	\$ (3,167)	\$ (1,243)	\$ (2,771)	\$ (10,570)	\$ (9,960)
Net loss per share - basic and diluted	\$ (0.11)	\$ (0.05)	\$ (0.12)	\$ (0.42)	\$ (0.44)
Weighted average shares outstanding - basic and diluted	27,697	25,735	23,175	25,088	22,766

(1) Includes:

Stock-based compensation	\$ 49	\$ 52	\$ 71	\$ 196	\$ 262
Additional amortization of non-cancelable prepaid royalty	—	(14)	(30)	(14)	65
(2) Includes stock-based compensation	485	524	640	1,927	2,441
(3) Includes stock-based compensation	397	443	690	1,798	2,599

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

	Three Months Ended			Twelve Months Ended	
	December 31, 2015	September 30, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Reconciliation of GAAP and non-GAAP gross profit					
GAAP gross profit	\$ 6,814	\$ 8,278	\$ 7,559	\$ 29,293	\$ 31,781
Stock-based compensation	49	52	71	196	262
Additional amortization of non-cancelable prepaid royalty	—	(14)	(30)	(14)	65
Total reconciling items included in cost of revenue	49	38	41	182	327
Non-GAAP gross profit	\$ 6,863	\$ 8,316	\$ 7,600	\$ 29,475	\$ 32,108
Non-GAAP gross profit margin	50.9%	50.2%	50.3%	49.5%	52.7%
Reconciliation of GAAP and non-GAAP operating expenses					
GAAP operating expenses	\$ 9,724	\$ 9,479	\$ 10,166	\$ 39,097	\$ 40,730
Reconciling item included in research and development:					
Stock-based compensation	485	524	640	1,927	2,441
Reconciling item included in selling, general and administrative:					
Stock-based compensation	397	443	690	1,798	2,599
Total reconciling items included in operating expenses	882	967	1,330	3,725	5,040
Non-GAAP operating expenses	\$ 8,842	\$ 8,512	\$ 8,836	\$ 35,372	\$ 35,690
Reconciliation of GAAP and non-GAAP net loss					
GAAP net loss	\$ (3,167)	\$ (1,243)	\$ (2,771)	\$ (10,570)	\$ (9,960)
Reconciling items included in cost of revenue	49	38	41	182	327
Reconciling items included in operating expenses	882	967	1,330	3,725	5,040
Tax effect of non-GAAP adjustments	—	65	(6)	—	—
Non-GAAP net loss	\$ (2,236)	\$ (173)	\$ (1,406)	\$ (6,663)	\$ (4,593)
Non-GAAP net loss per share - basic and diluted	\$ (0.08)	\$ (0.01)	\$ (0.06)	\$ (0.27)	\$ (0.20)
Non-GAAP weighted average shares outstanding - basic and diluted	27,697	25,735	23,175	25,088	22,766

* Our non-GAAP gross profit, non-GAAP gross profit margin, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share differs from GAAP gross profit, GAAP operating expenses, GAAP net loss and GAAP net loss per share due to the exclusion of stock-based compensation expense and additional amortization of a non-cancelable prepaid royalty. Pixelworks' management believes the presentation of non-GAAP gross profit, non-GAAP operating expenses, non-GAAP net loss and non-GAAP net loss per share provides useful information to investors regarding Pixelworks' results of operations by allowing investors to better evaluate underlying cash flow dynamics. Pixelworks' management also uses each of these non-GAAP measures internally to better evaluate underlying cash flow dynamics. Pixelworks, however, cautions investors to consider these non-GAAP financial measures in addition to, and not as a substitute for, our GAAP financial measures.

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

	Three Months Ended			Twelve Months Ended	
	December 31,	September 30,	December 31,	December 31,	December 31,
	2015	2015	2014	2015	2014
Reconciliation of GAAP net loss and adjusted EBITDA					
GAAP net loss	\$ (3,167)	\$ (1,243)	\$ (2,771)	\$ (10,570)	\$ (9,960)
Stock-based compensation	931	1,019	1,401	3,921	5,302
Additional amortization of non-cancelable prepaid royalty	—	(14)	(30)	(14)	65
Tax effect of non-GAAP adjustments	—	65	(6)	—	—
Non-GAAP net loss	\$ (2,236)	\$ (173)	\$ (1,406)	\$ (6,663)	\$ (4,593)
EBITDA adjustments:					
Depreciation and amortization	\$ 1,038	\$ 1,086	\$ 1,099	\$ 4,263	\$ 4,514
Interest expense and other, net	129	105	118	446	493
Non-GAAP provision (benefit) for income taxes	128	(128)	52	320	518
Adjusted EBITDA	\$ (941)	\$ 890	\$ (137)	\$ (1,634)	\$ 932

* Adjusted EBITDA differs from GAAP net loss due to the exclusion of stock-based compensation expense, additional amortization of a non-cancelable prepaid royalty, interest expense and other, net, income tax provision (benefit) 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)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,591	\$ 17,926
Accounts receivable, net	5,988	4,648
Inventories	3,266	2,898
Prepaid expenses and other current assets	644	888
Total current assets	36,489	26,360
Property and equipment, net	6,543	6,402
Other assets, net	810	1,382
Total assets	\$ 43,842	\$ 34,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,944	\$ 3,154
Accrued liabilities and current portion of long-term liabilities	8,528	8,539
Current portion of income taxes payable	221	197
Short-term line of credit	3,000	3,000
Total current liabilities	14,693	14,890
Long-term liabilities, net of current portion	831	1,476
Income taxes payable, net of current portion	1,942	2,094
Total liabilities	17,466	18,460
Shareholders' equity	26,376	15,684
Total liabilities and shareholders' equity	\$ 43,842	\$ 34,144

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Pixelworks, Inc. Q4 2015 Conference Call
February 4, 2016

Operator

Good day ladies and gentlemen, and welcome to Pixelworks Inc.'s fourth quarter 2015 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 Mr. Steve Moore.

Steve Moore

Good afternoon and thank you for joining us. This is Steve Moore, Chief Financial Officer of Pixelworks. With me today is Stephen Domenik, interim CEO, and Todd DeBonis, COO. 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 fourth quarter and fiscal year ended December 31, 2015.

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

All forward-looking statements are based on the Company's beliefs as of today, Thursday, February 4, 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, 2014, and subsequent SEC filings for a description of factors that could cause forward-looking statements to differ materially from actual results.

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

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.

Let me now turn the call over to Pixelworks' interim CEO, Steve Domenik. Steve, please go ahead.

Steve Domenik

Thank you, Steve. Good afternoon everyone and thanks for joining us on today's call. Let me first begin with the news released earlier this week, in which Pixelworks announced the resignation of Bruce Walicek as President and CEO. Bruce has been with Pixelworks for the past 8 years, and prior to that, served as a board member since 2005. Over that time, Bruce has worked tirelessly to reposition Pixelworks into a leading provider of video display processing technology. I want to personally thank Bruce for his dedication and commitment to the Company throughout his tenure as CEO and also as a board member. I'd like this thank you to be understood as sincere and not as the usual, mandatory, perfunctory comment. As mentioned in Monday's release, Bruce will remain as consultant to the company for up to six months and will be available to assist in the transition once a permanent CEO has been named.

As also mentioned in Monday's press release, the board has already started the search process for identifying and selecting a new CEO. Until that time, I will assume those duties and serve as interim CEO. As many of you know, I have been a Director on Pixelworks' board since August 2010 and previously acted as a strategic consultant to the Company in 2013. As such, I am very familiar with the business and industry, and more importantly have a vested interest in Pixelworks' success.

One thing that I want to reiterate to our shareholders today is that the CEO transition is in no way an indication of a lack of belief or confidence in the future of Pixelworks. The board, as well as the entire management team, remain fully committed to executing on our growth and profitability initiatives. In fact, we're more focused than ever on successfully executing our mobile product strategy and bringing our vision to fruition. I also want to reiterate that these actions do NOT represent a shift away from our existing strategy. If anything, we are intensifying our efforts to capture the full potential of our technology and products. Our continued interest is to create value for our shareholders.

As part of that commitment, we are taking this opportunity to expand our leadership talent starting with the appointment of Todd DeBonis as Chief Operating Officer. As many of you know, Todd joined Pixelworks after a very successful career as Vice President of Global Sales and Strategic Development at TriQuint Semiconductor, where he was a key contributor to the company's rapid growth from \$300 million to \$1.1 billion. Todd has close to 30 years of experience as a seasoned executive with expertise spanning strategy, sales and operations across a global organization. I will let Todd speak more about his background and why he joined Pixelworks in a minute, but let me first expand on some of the other actions we are taking to strengthen our sales initiatives.

First, I am placing a strong emphasis on increasing our professional sales capabilities. Pixelworks has always been a company driven by innovation and has always remained on the leading edge with its technology. As a result, we have a very successful and talented technical team in place, including the industry's top video engineers, to design and develop products that will continue to keep Pixelworks at the front of the technology curve. Selling into the mobile space is a complicated process and requires a different expertise and professional sales capabilities to secure the business and close deals. Todd will be a key part of leading that charge from both a sales and operational perspective.

In an effort to grow our sales capabilities, we are working to add a dedicated sales team in China to support Todd and the larger sales process. This is a very important region for our mobile strategy, and it's critically important to have people on the ground locally to work with customers and become closely aligned to their product roadmaps and design teams.

Additionally, David Tupman has agreed to Chair a newly formed Mobile Product Strategy Committee. This committee's primary purpose will be to continue to provide strategic alignment to the team. As many of you may recall, David has served as a Director of Pixelworks since April 2014 and as a consultant since July 2012. For 10 years of his career, he led the hardware engineering and technology teams at Apple for multiple mobile devices, including the iPhone and iPod. His highly relevant experience is invaluable to Pixelworks as we further execute on our mobile strategy.

To wrap up my initial comments, I believe Pixelworks has tremendous opportunities ahead of us. We have the right technology and products in place to be very successful in the mobile market. We have a management team and board that is fully committed to push forward and do whatever is necessary to realize the company's full potential and achieve our goal of being THE leading provider a video processing technology for the mobile market.

With that, let me know briefly turn the call over to Todd to say a few words. Todd...

Todd DeBonis

Thank you Steve, and good afternoon everyone. As Steve mentioned, I recently joined Pixelworks following nearly three decades of experience spanning numerous sales, marketing and business development roles at a number of industry leading semiconductor companies. Most recently I held the position of Vice President of Global Sales & Strategic Development at TriQuint, which many of you know merged with RF Micro Devices last year to become Qorvo, a leader in RF solutions. During my tenure at TriQuint, the company's mobile RF effort increased it's market share from 5% to 12% and the overall business grew almost 4 fold to over \$1 billion.

After being approached by Pixelworks and gaining a better understanding of the company's technology, I quickly concluded that Pixelworks has a unique portfolio of video processing technology and IP. Moreover I recognized that the Pixelworks team is addressing a previously untapped opportunity for its technology in the mobile market. Pixelworks has already made meaningful investment as well as early progress toward penetrating our target market, giving the company a significant first-mover advantage.

It goes without saying that the market for mobile devices and related components is a large, consolidating and extremely competitive space so a decision to enter that market should not be taken lightly. I've spent my first few weeks here at Pixelworks spending face-to-face time with the company's engineers as well as several of the current and prospective mobile customers for its Iris family of chips and what has become clear to me is that the value proposition of Iris' video processing capability is compelling. I believe, as does the rest of the Pixelworks team, that the mobile market represents an enormous opportunity for the company.

With that, I will turn the call back to Steve Domenik for a more detail update on the company's recent progress and business outlook.

Steve Domenik

Great, thank you Todd.

Let me now provide more specific updates on the fourth quarter. First, revenue and all other metrics were within the range of guidance, and Steve Moore will review the numbers in more detail here shortly. Our digital projector business was down sequentially due to the weaker macro-economic environment, especially in emerging markets, which is having a negative impact on our near-term results. Despite these recent headwinds, it is worth highlighting that Pixelworks grew projector revenue over 15% year-over-year in 2015, reflecting our strong market share gains throughout the year. Although weaker customer sell-through has extended into the beginning of 2016, we remain well positioned in the projector market as the global macro and end market demand improve.

Now turning to the mobile market.

As many of you are aware, in the second half of 2015 we successfully ramped and shipped volume production of Pixelworks' Iris family of mobile video processors in support of ASUS' launch of its flagship ZenPad tablet. Both the ASUS tablet as well as Pixelworks' Iris chip received favorable reviews and successfully represented the mobile industry's first-ever production device to include a TV-grade/quality video display processor. As a result of this success, our engagement with ASUS continues to grow - and we fully expect to be designed-in on additional ASUS devices and platforms during the course of 2016.

Separately, as part of last quarter's earnings call we announced a milestone design win for a major U.S. mobile wireless carrier, and we expect Iris-enabled tablets could begin filling the carrier's channel as soon as mid-2016. As of today, all indications are that this design win and program remain on-track.

Last quarter we also introduced and highlighted True Cut, a software solution that can be implemented at the server-level to pre-process streaming data and improve compression efficiency while boosting the streaming quality on mobile devices that incorporate Pixelworks' Iris chip. We successfully demonstrated TrueCut with a major China-based carrier over the last couple of months and have begun initial trials. We continue to make solid progress on this industry-first solution.

Now looking forward to the first quarter and 2016, the impact of the weaker macro environment on the projector market has extended into 1Q, resulting in a greater than seasonal decline in first quarter revenue forecasted to be between \$10 and \$11 million. That said, we have begun to see the early signs of improvement and have growing confidence that the first quarter will represent a trough in revenue for the year. Also worth mentioning, I do NOT believe that we have lost a single design or platform during this period - and in fact, we fully expect to gain additional market share year-over-year in 2016. We continue to have strong confidence in the company's ability to achieve meaningful success in the mobile market.

I'll now turn the call to Steve Moore for a more detailed review of Pixelworks' fourth quarter financial results and guidance for the first quarter of 2016.

Steve Moore

Thank you, Steve.

Revenue for the fourth quarter of 2015 was \$13.5 million, compared to \$16.6 million in the prior quarter.

The split of our fourth quarter revenue by market was:

93% digital projector,
5% TV and panel
2% mobile

Digital projector revenue was \$12.6 million, compared to \$15.2 million in the third quarter, and revenue from TV and panel totaled \$640,000 in the fourth quarter, compared to \$1.1 million in the prior quarter. The sequential declines in revenue were primarily driven by a weaker demand environment in China and emerging markets for the Company's chips sold into the digital projector and TV/panel markets.

Mobile device revenue was approximately \$260,000 in the fourth quarter, a modest increase compared to \$250,000 in the previous quarter.

Non-GAAP gross profit margin was 50.9% in the fourth quarter, comparable to 50.2% in the third quarter.

Pixelworks' gross margin is subject to variability based on changes in revenue levels, recognition of license revenue, product mix, startup costs, and the timing and execution of manufacturing ramps, as well as other factors.

Non-GAAP operating expenses were \$8.8 million in the fourth quarter, compared to \$8.5 million in the prior quarter.

Adjusted EBITDA was a negative \$941,000 for the fourth quarter, compared to a positive \$890,000 in the third 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 \$2.2 million, or loss of 8 cents per share, in the fourth quarter of 2015, as compared to a net loss of \$173,000, or loss of 1 cent per share, in the prior quarter.

Moving to the balance sheet, we ended the fourth quarter with cash and cash equivalents of approximately \$26.6 million, compared to \$29 million at the end of the third quarter. The Company has no long-term debt and similar to the previous quarter, the Company had a balance of \$3 million on its working capital line of credit at quarter-end.

Other balance sheet metrics include day's sales outstanding of 40 days at quarter-end, compared to 26 days at the end of the third quarter, and inventory turns decreased to just under 8 times from approximately 10 in the prior quarter.

Now turning to Guidance

As previously mentioned and indicated as part of our press release earlier this week, the challenging macro environment, particularly in emerging markets, is expected to continue impacting revenue from our digital projection business during the first quarter of 2016, resulting in greater than normal seasonality. Specifically, we expect revenue to be in a range of between \$10 and \$11 million. However, we are seeing signs of normalization beginning in the second quarter, and therefore we expect that the first quarter will represent a trough in revenue for the year.

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

For operating expenses, we expect the first quarter to range between \$9 and \$10 million on a non-GAAP basis, and \$10 and \$11 million on a GAAP basis.

And finally, we expect a non-GAAP first quarter net loss of between 13 cents and 20 cents per share; and we expect a GAAP net loss of between 16 cents and 23 cents per share.

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