

PIXELWORKS, INC
Form 10-Q
May 08, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission File Number: 000-30269

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

OREGON 91-1761992
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

224 Airport Parkway, Suite 400 95110
San Jose, California
(Address of principal executive offices) (Zip Code)
(408) 200-9200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of Common Stock, par value \$0.001 per share, outstanding as of April 30, 2015: 23,453,444.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

PIXELWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,591	\$ 17,926
Accounts receivable, net	4,760	4,648
Inventories	3,295	2,898
Prepaid expenses and other current assets	900	888
Total current assets	24,546	26,360
Property and equipment, net	5,762	6,402
Other assets, net	1,211	1,382
Total assets	\$ 31,519	\$ 34,144
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,289	\$ 3,154
Accrued liabilities and current portion of long-term liabilities	9,129	8,539
Current portion of income taxes payable	168	197
Short-term line of credit	3,000	3,000
Total current liabilities	14,586	14,890
Long-term liabilities, net of current portion	1,319	1,476
Income taxes payable, net of current portion	1,966	2,094
Total liabilities	17,871	18,460
Commitments and contingencies (Note 9)		
Shareholders' equity:		
Preferred stock	—	—
Common stock	370,581	369,253
Accumulated other comprehensive income	11	11
Accumulated deficit	(356,944)	(353,580)
Total shareholders' equity	13,648	15,684
Total liabilities and shareholders' equity	\$ 31,519	\$ 34,144
See accompanying notes to condensed consolidated financial statements.		

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

	Three Months Ended March 31,	
	2015	2014
Revenue, net	\$ 14,392	\$ 13,541
Cost of revenue (1)	7,425	5,546
Gross profit	6,967	7,995
Operating expenses:		
Research and development (2)	6,318	6,385
Selling, general and administrative (3)	3,887	4,049
Total operating expenses	10,205	10,434
Loss from operations	(3,238)	(2,439)
Interest expense and other, net	(107)	(122)
Loss before income taxes	(3,345)	(2,561)
Provision (benefit) for income taxes	19	(54)
Net loss	\$(3,364)	\$(2,507)
Net loss per share - basic and diluted	\$(0.14)	\$(0.11)
Weighted average shares outstanding - basic and diluted	23,328	22,204
(1) Includes:		
Stock-based compensation	\$ 53	\$ 89
Additional amortization of non-cancelable prepaid royalty	—	56
(2) Includes stock-based compensation	489	826
(3) Includes stock-based compensation	536	788
See accompanying notes to condensed consolidated financial statements.		

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PIXELWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(3,364) \$(2,507
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,098	1,144
Stock-based compensation	1,078	1,703
Reversal of uncertain tax positions	(209) (270
Deferred income tax expense	—	160
Other	26	24
Changes in operating assets and liabilities:		
Accounts receivable, net	(113) 399
Inventories	(397) (364
Prepaid expenses and other current and long-term assets, net	33	1,656
Accounts payable	(891)