

PIXELWORKS, INC
Form 10-Q
November 04, 2011
Table of Contents

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 September 30, 2011

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 outstanding as of October 31: 17,950,420

Table of Contents

PIXELWORKS, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011
TABLE OF CONTENTS

	<u>PART I – FINANCIAL INFORMATION</u>	
Item 1.	<u>Financial Statements</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Operations</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>21</u>
Item 4.	<u>Controls and Procedures</u>	<u>21</u>
	<u>PART II – OTHER INFORMATION</u>	
Item 1.	<u>Legal Proceedings</u>	<u>22</u>
Item 1A.	<u>Risk Factors</u>	<u>22</u>
Item 6.	<u>Exhibits</u>	<u>33</u>
	<u>SIGNATURE</u>	<u>34</u>

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

PIXELWORKS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$17,017	\$16,872
Short-term marketable securities	—	12,366
Accounts receivable, net	4,357	4,487
Inventories, net	4,683	4,858
Prepaid expenses and other current assets	2,149	2,337
Total current assets	28,206	40,920
Long-term marketable securities	—	603
Property and equipment, net	7,585	5,830
Other assets, net	3,265	5,061
Total assets	\$39,056	\$52,414
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$5,629	\$4,804
Accrued liabilities and current portion of long-term liabilities	8,545	8,983
Current portion of income taxes payable	97	282
Short-term line of credit	—	3,000
Debentures currently payable	—	15,779
Total current liabilities	14,271	32,848
Long-term liabilities, net of current portion	2,580	2,061
Income taxes payable, net of current portion	2,987	3,574
Total liabilities	19,838	38,483
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock	—	—
Common stock	346,381	336,254
Accumulated other comprehensive income (loss)	(64) 167
Accumulated deficit	(327,099) (322,490
Total shareholders' equity	19,218	13,931
Total liabilities and shareholders' equity	\$39,056	\$52,414
See accompanying notes to condensed consolidated financial statements.		

Table of Contents

PIXELWORKS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2011	2010	2011	2010
Revenue, net	\$17,391	\$18,027	\$47,781	\$55,384
Cost of revenue (1)	8,935	9,733	25,334	29,787
Gross profit	8,456	8,294	22,447	25,597
Operating expenses:				
Research and development (2)	5,982	5,612	17,531	16,505
Selling, general and administrative (3)	3,641	3,685	11,132	11,435
Restructuring	—	—	—	94
Total operating expenses	9,623	9,297	28,663	28,034
Loss from operations	(1,167)	(1,003)	(6,216)	(2,437)
Interest expense and other, net	(89)	(127)	(395)	(378)
Gain on sale of marketable securities	—	316	264	660
Gain on sale of patents	—	—	1,600	—
Total other income (expense), net	(89)	189	1,469	282
Loss before income taxes	(1,256)	(814)	(4,747)	(2,155)
Benefit for income taxes	(173)	(821)	(138)	(5,749)