pixelworks®
PIXEL PERFECTION

Corporate Overview

March 2018

Cautionary Statements & other Disclosures

This presentation includes forward-looking statements regarding Pixelworks' business outlook.

These forward-looking statements involve risks & uncertainties & actual results may vary significantly from those suggested here. Additional information concerning risk factors that could cause actual results to vary from these forward looking statements can be found in our Form 10-K for the fiscal year ended December 31, 2016 and subsequent SEC filings.

To the extent this presentation includes non-GAAP financial measures, the most directly comparable GAAP information and a reconciliation between the non-GAAP and GAAP figures is provided in our Q4 2017 press release which has been furnished to the SEC on Form 8-K.

At a Glance (NASDAQ: PXLW)

Company Overview

- Fabless semiconductor company
- Headquartered in San Jose
- Fundamental IP in visual processing
- Pioneer in Projectors (#1 mkt share)
- Pursuing new growth drivers in Mobile and Video Delivery

Recent Developments

- 4th gen Iris processor released for production
- Continue to gain market share in Projectors
- Achieved over 55% GPM in Q4
- ViXS integration complete

Every pixel at its best

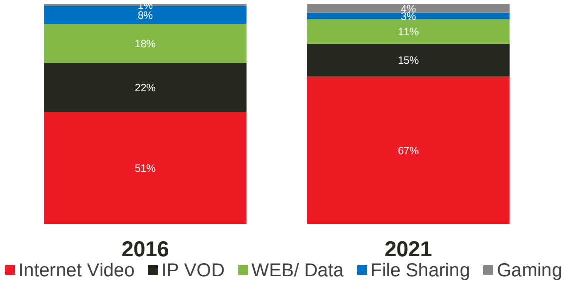
Pixelworks' technology and solutions cover end to end, optimized video delivery that is true to its creator’s intent with a highly authentic viewing experience

Pixelworks' Opportunities in the New Video Ecosystem

Video Content Exploding

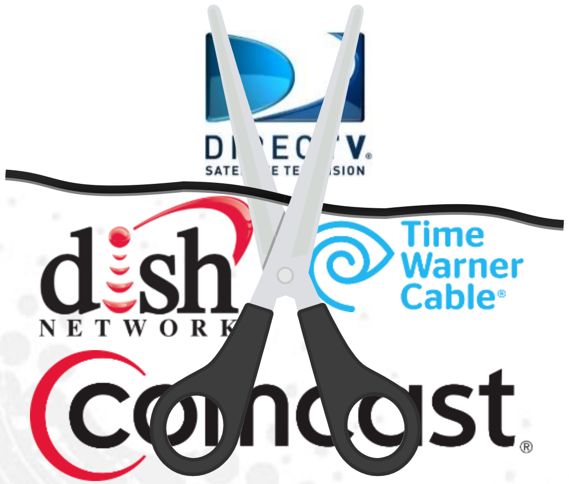
Global IP Traffic

BY 2020, video on the internet will eat up a bigger share of increased web traffic



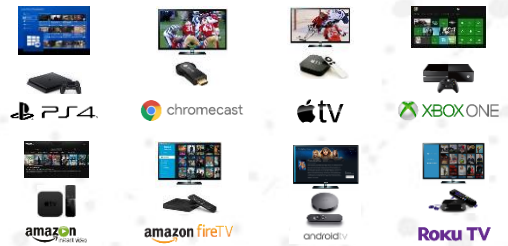
Source: Cisco

Video Delivery Methods Multiplying



Major Video Streaming Services

Streaming Media Players



Video Watching Patterns Changing

pixelworks® PIXEL PERFECTION

Delivering Authentic Video Experience

Accuracy
- True View™
- True Clarity™
- True Color

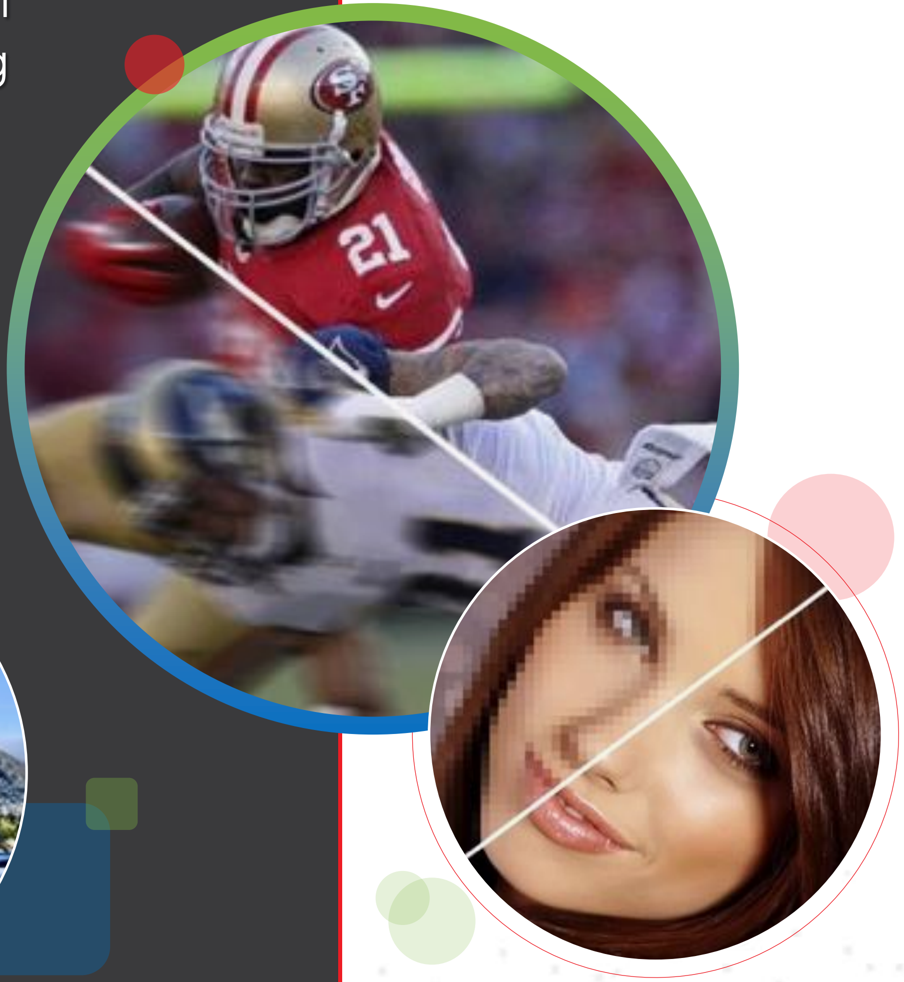
Quality
- High Dynamic Range
- Motion Processing

Adaptive View
- Device type
- Ambient conditions
- True View™

Visual Processing & Video Delivery IP

20 Year History of Image Processing Innovation

535+ patents (issued/pending) in Display Processing & Video Delivery



Fundamental patents for image processing in projectors & other displays, enabling

- Image Scaling
- Frame Rate Conversion
- Video Analytics
- Keystone Correction & Image Warping

Broad IP portfolio across the display processing & delivery pipeline, including

- Motion Estimation / Motion Compensation
- Color Processing
- Image Sharpness
- Image Contrast
- Memory Compression
- Transcoding
- Content Protection
- Adaptive Bit-Rate Streaming

pixelworks®
PIXEL PERFECTION

Trends in Mobile Displays

High Dynamic Range (HDR)

- UHDA announced mobile HDR certification
- First mobile devices supporting HDR released
- Netflix, Amazon Video streaming mobile HDR

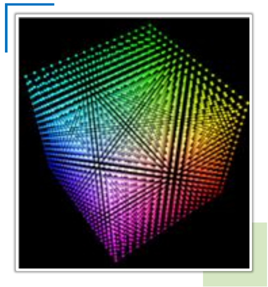
iPhone X, iPhone 8, 8-Plus

Samsung Galaxy S9

Sony Experia XZ2

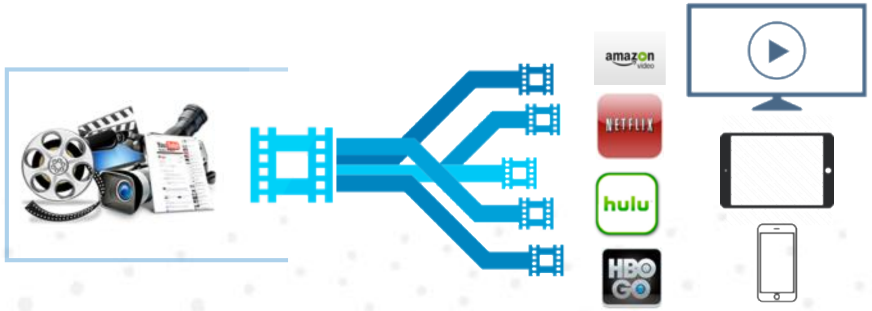
Wide Color Gamut & Accuracy & Auto Adaptability

- DCI-P3 is the Hollywood color gamut standard
- 25% more colors than traditional sRGB
- Auto-enhancement of on-screen color, contrast and image quality in real world viewing conditions



End-to-End Display Processing

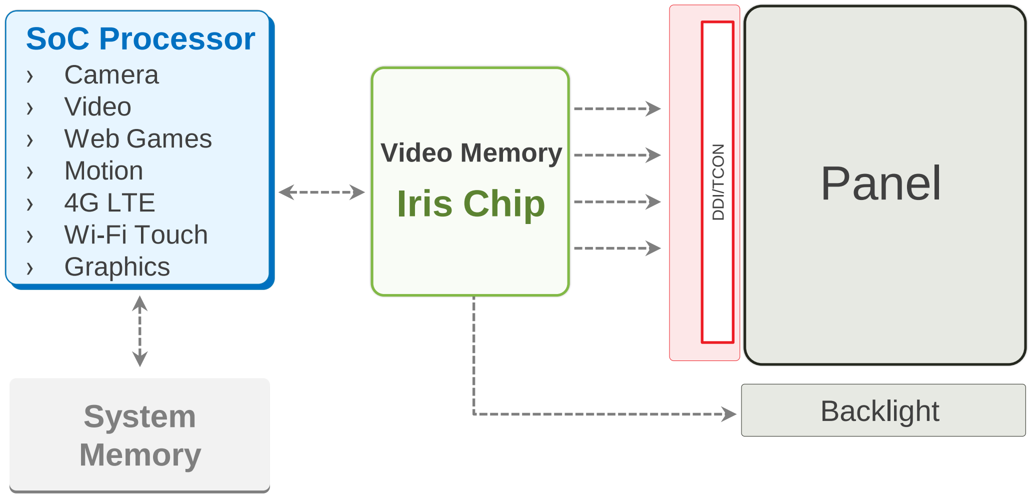
- Mobile video is not controlled end-to-end
- Need for bandwidth optimization
- Need for better picture quality



Mobile Solution - Iris Architecture at the Core

Iris is the world's first Video Display Processor bringing superior picture quality while addressing system bottlenecks

Optimized Mobile Display Architecture with Iris

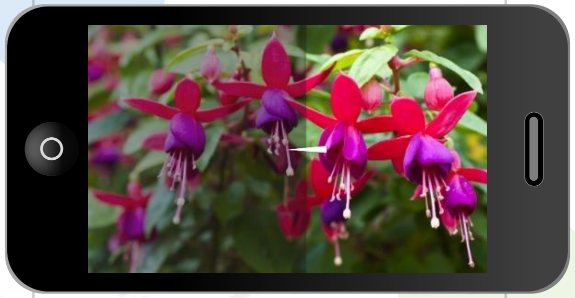


Existing Mobile Architecture

Limited Video Processing
Discrete Memory
Frame buffer in panel
Increased Panel Costs
Complex Supply Chain

Bottlenecks

System Memory
SoC Performance



Pixelworks Iris Solution

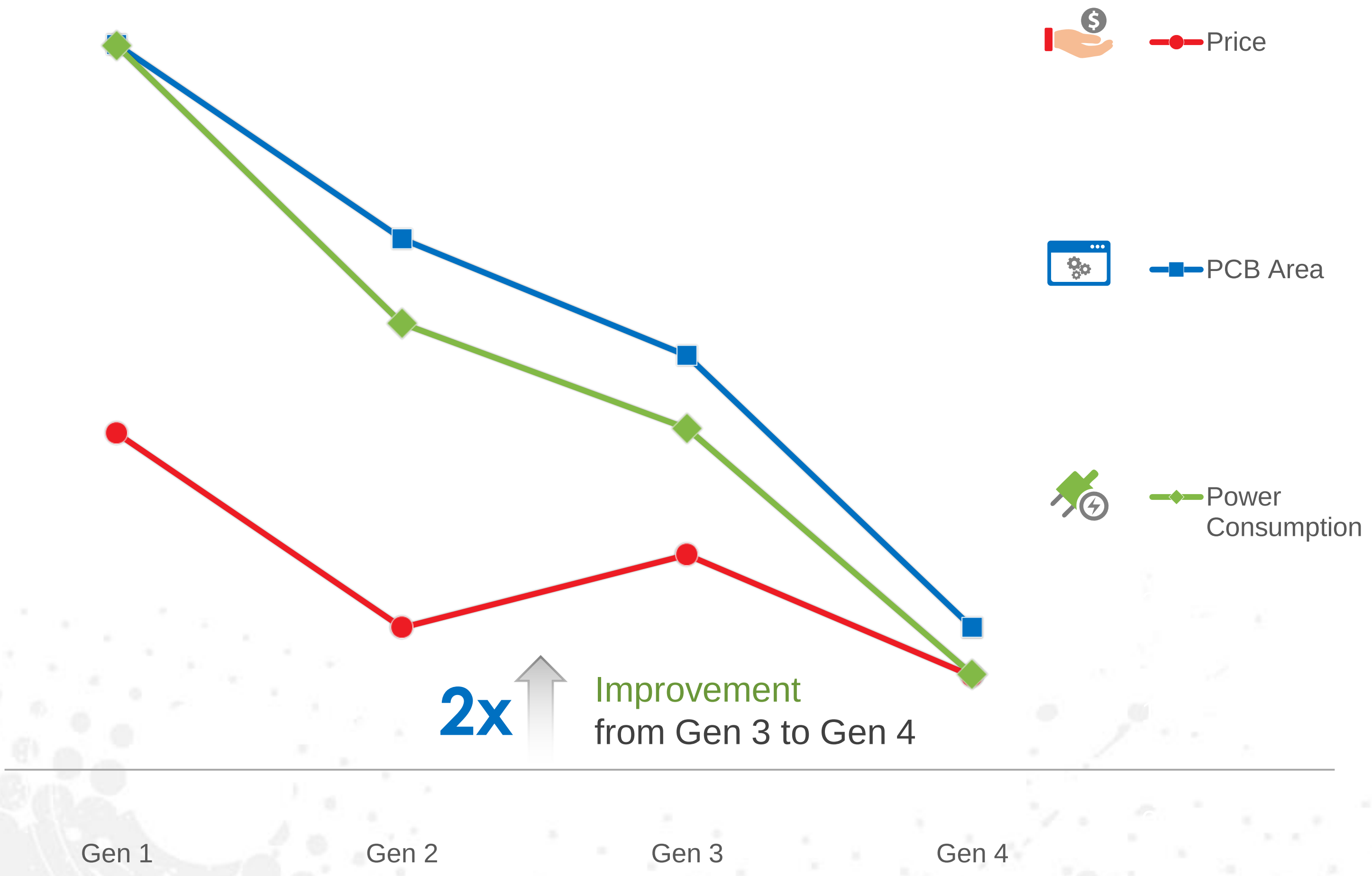
High-end TV HDR Processing
Integrated Video Memory
Optimized space & power
Cost-effective Panels
Simplified Supply Chain

Benefits

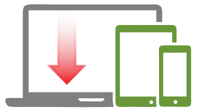
Video Frame Buffer
SoC Off-load

Iris Progression

Active Customer Engagements on Gen 3 & Gen 4 devices

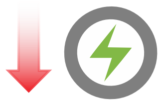


Path to Broader Adoption



Reduce size of device

Lower BoM cost & required real estate



Reduce Power Consumption

Chip design & software with expanded features

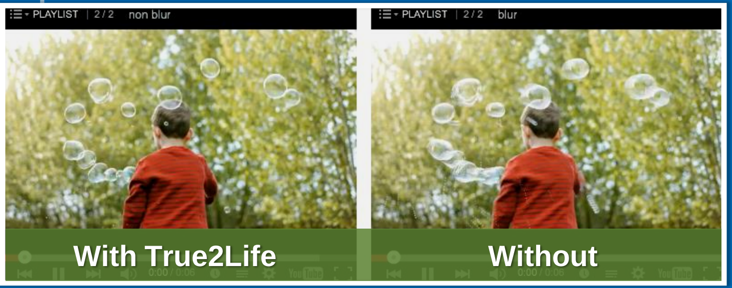
ASUS: Validation of Technology

ZenFone™ 3 Ultra

ZenPad™ Z8
(exclusively at Verizon Wireless)

ZenPad™ 8.0

ZenPad™ Z10
(exclusively at Verizon Wireless)



Clear, blur-free motion with True2Life+

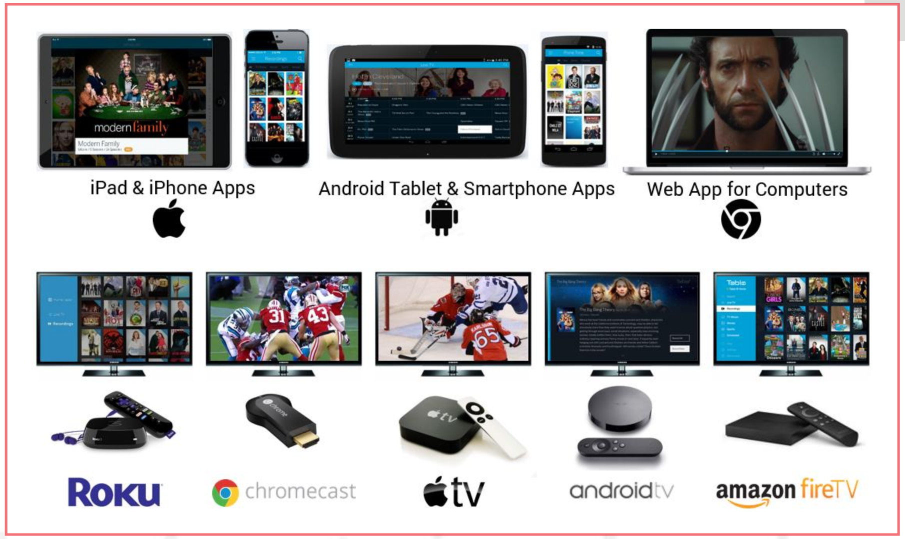
Sharper, lifelike images with sharpness optimization

200% wider contrast levels, enhances every pixel

Video Delivery – Cord Cutter Solution

1 Cord Cutter Solution connects to home network, starts to transcode and stream Free OTA content to mobile device

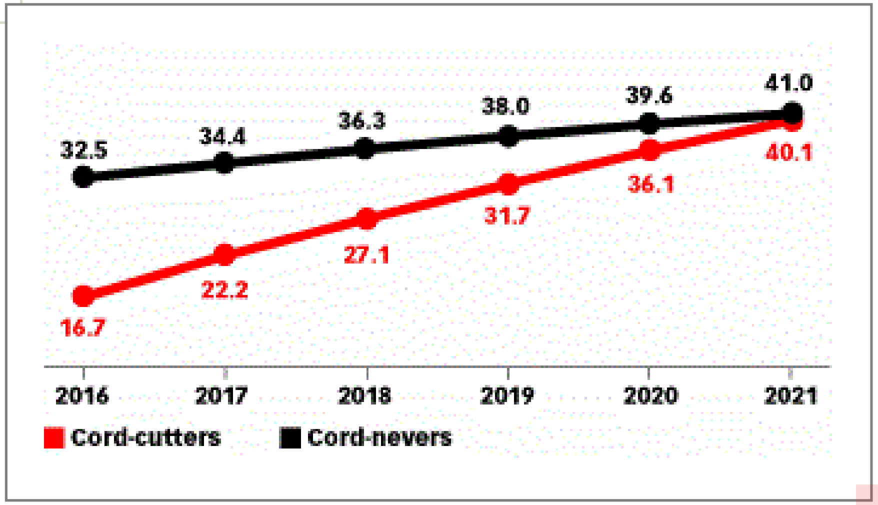
2 Mobile, TV and Media devices find Cord Cutter solution via the home network



Video Delivery Market & Opportunity

US Pay TV Non-viewers, by Type, 2016-2021

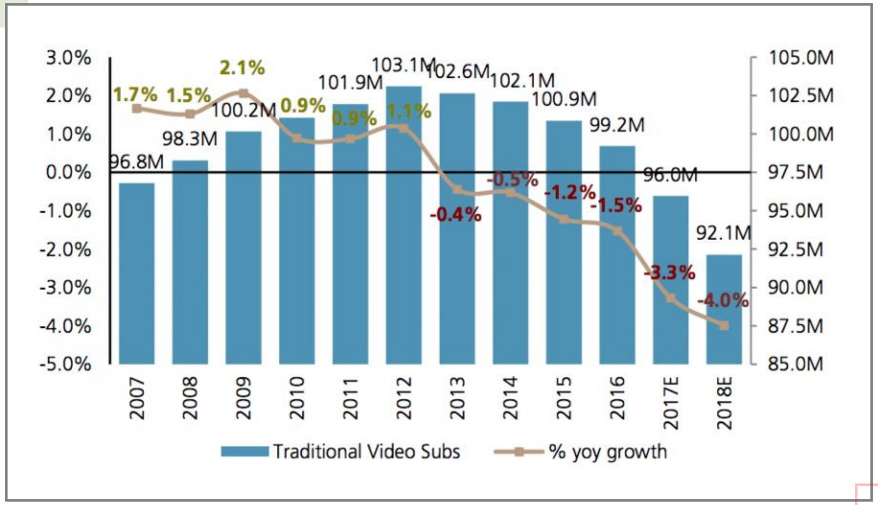
(Millions)



Note: ages 18+; pay TV viewers are individuals who have access to traditional pay TV services; excludes IPTV & pure-play online video services (e.g. Hulu, Netflix, Sling TV, etc.); pay TV non-viewers are individuals who no longer have access to traditional pay TV services or have never had access to traditional pay TV services or have never had access to traditional pay TV services

Source: eMarketer, July 2017
www.eMarketer.com

Traditional Video Subscribers



Source: Company Data, UBS Estimates

"A new generation of media consumers has risen, demanding content delivered when they want it, how they want it and very much as they want it

Rupert Murdoch

pixelworks®
PIXEL PERFECTION

Projectors – Solution & Market

Business
Best Value, Connectivity

Large Venue
10,000 Lumens,
Best Image Qualtiy

Home Theatre
Image Enhancement
Contrast Management

Education
Warping, Interactivity

Pixelworks' integrated display processing platforms enable top projector OEMs to develop highly differentiated projectors for all market segments

Primary Market Drivers

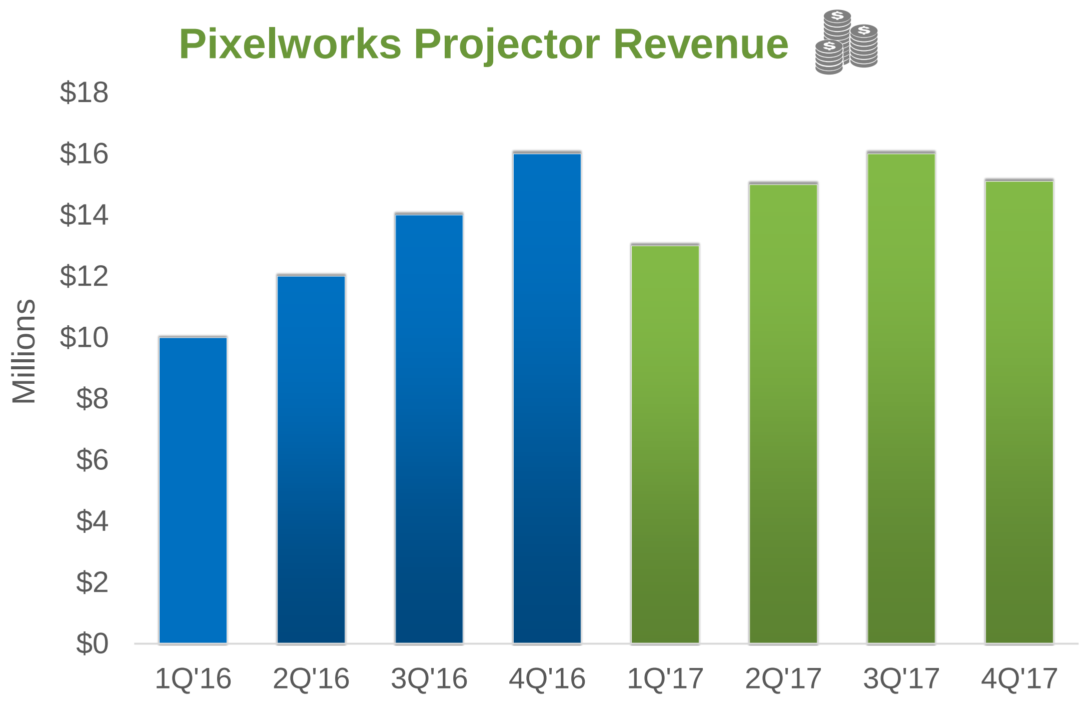
- Education in Emerging Markets
- Enterprise in Developing Markets
- Interactivity Applications
- Laser Projection

Mature Market

- 8Mu annually
- Long Product Cycles, Limited Competition

EPSON, BenQ, Optoma, acer, NEC, SONY, HITACHI, Panasonic, ViewSonic

Digital Projection: Pixelworks Performance



2016

- Revenue & units suppressed due to industry-wide inventory correction & earthquake disrupted Sony's 3LCD panel supply
- Customer order patterns normalized 4Q16

2017
(Revenue +38% Yr/Yr)

- Market recovery from Kumamoto earthquake
- Benefited from last-time buys in 1H 2017
- Core business growth outside of EOL
- Increasing adoption at largest customer
- $8M co-development with leading customer

Outlook

- Richer product margin mix after EOL
- Healthy market channel inventories
- Continued growth in core business driven by adoption at key customers & incremental market share gains

Future Market Opportunities

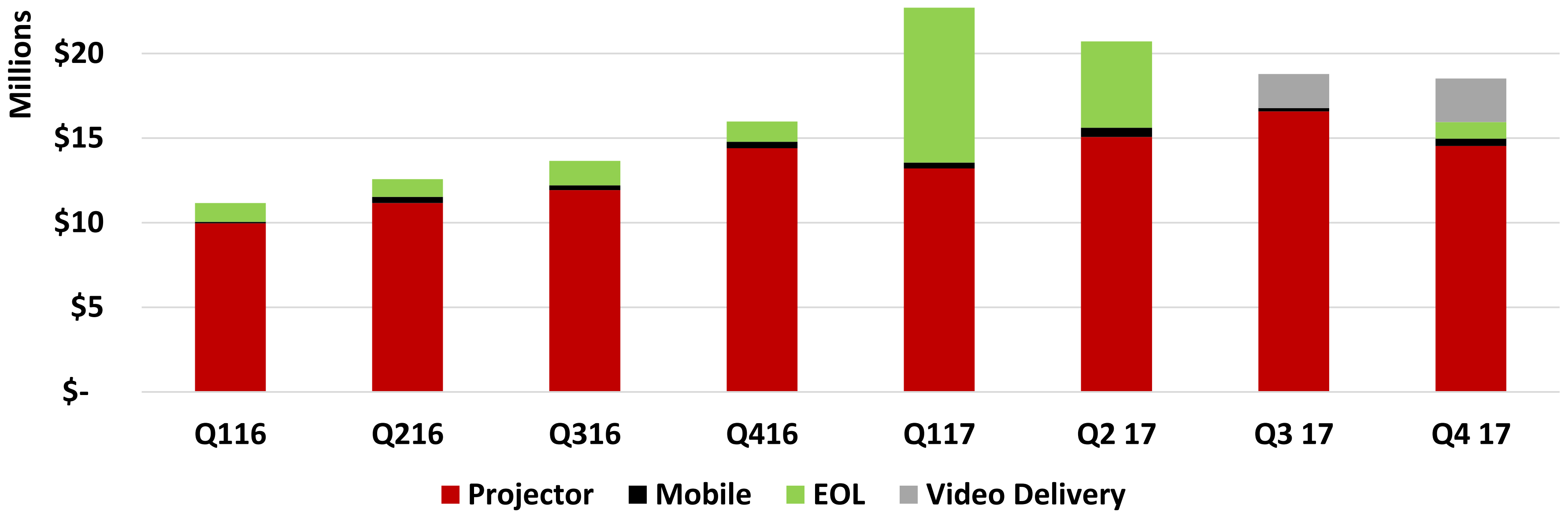
- Pixelshift **4K** projection
- Cost reduced mainstream projection
- DLP adjacent markets: MEMC, Keystone

pixelworks®
PIXEL PERFECTION

Financial Overview

Financial results and financial outlook data provided in the following slides is presented on both a GAAP and non-GAAP basis. Our non-GAAP financial results and non-GAAP financial outlook exclude restructuring charges and stock-based compensation expense, both of which are required under GAAP. We use non-GAAP measures internally to assess our operating performance, and believe non-GAAP measures provide meaningful perspective on our underlying cash flow dynamics. However, we caution users to consider these measures in addition to, not as a substitute for, nor superior to, our consolidated financial results presented in accordance with GAAP.

Revenue and P&L Trend



In Millions, except EPS	Q1 '16*	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17
Revenue	$11.2	$12.6	$13.7	$16.0	$22.7**	$20.7**	$18.8	18.5**
Gross Profit % (non-GAAP)	48.0%	51.6%	48.6%	53.6%	54.8%	54.4%	54.9%	56.9%
EPS (non-GAAP)	($0.14)	($0.03)	($0.02)	$0.04	$0.12	$0.10	$0.03	($0.01)
EBITDA (non-GAAP)	($2.9)	$0.3	$0.7	$2.1	$5.0	$4.7	$2.3	$0.8

*Q1’16 Results included a restructuring charge of $4.3M or $0.15 per share.

**Q1’17, Q2’17 and Q4‘17 Results included approximately $9.2M , 5.1M and $1M of EOL revenue, respectively.

pixelworks®
PIXEL PERFECTION

P&L Trend

	FY 16 A	FY 17 A
Revenue	$53,390	$80,729
Gross Margin	$27,042	$44,562
Gross Margin %	50.6%	55.2%
R&D	17,436	19,595
SG&A	12,898	15,654
Total Opex	30,334	35,249
Income/(Loss) from Operations	(3,292)	9,313
Other Income/(Expense)	(407)	(737)
Tax Provision/(Benefit)	355	836
Net Income/(Loss)	(4,054)	7,741
EBITDA		
Net Income/(Loss) per share	($0.14)	$0.23
Weighted Shares Basic/Dilutive	28,275	33,668

pixelworks®
PIXEL PERFECTION

Balance Sheet

	Q4 '16 A	Q4 '17 A
Assets		
Cash and Investments	$19,622	$27,523
Accounts Receivable	3,118	4,640
Inventories	2,803	2,846
Property, Plant & Equipment	3,793	5,605
Goodwill	-	18,407
Acquired Intangibles	-	5,856
Prepaid Expenses & Other Assets	1,521	2,666
Total Assets	**$30,857**	**$67,543**

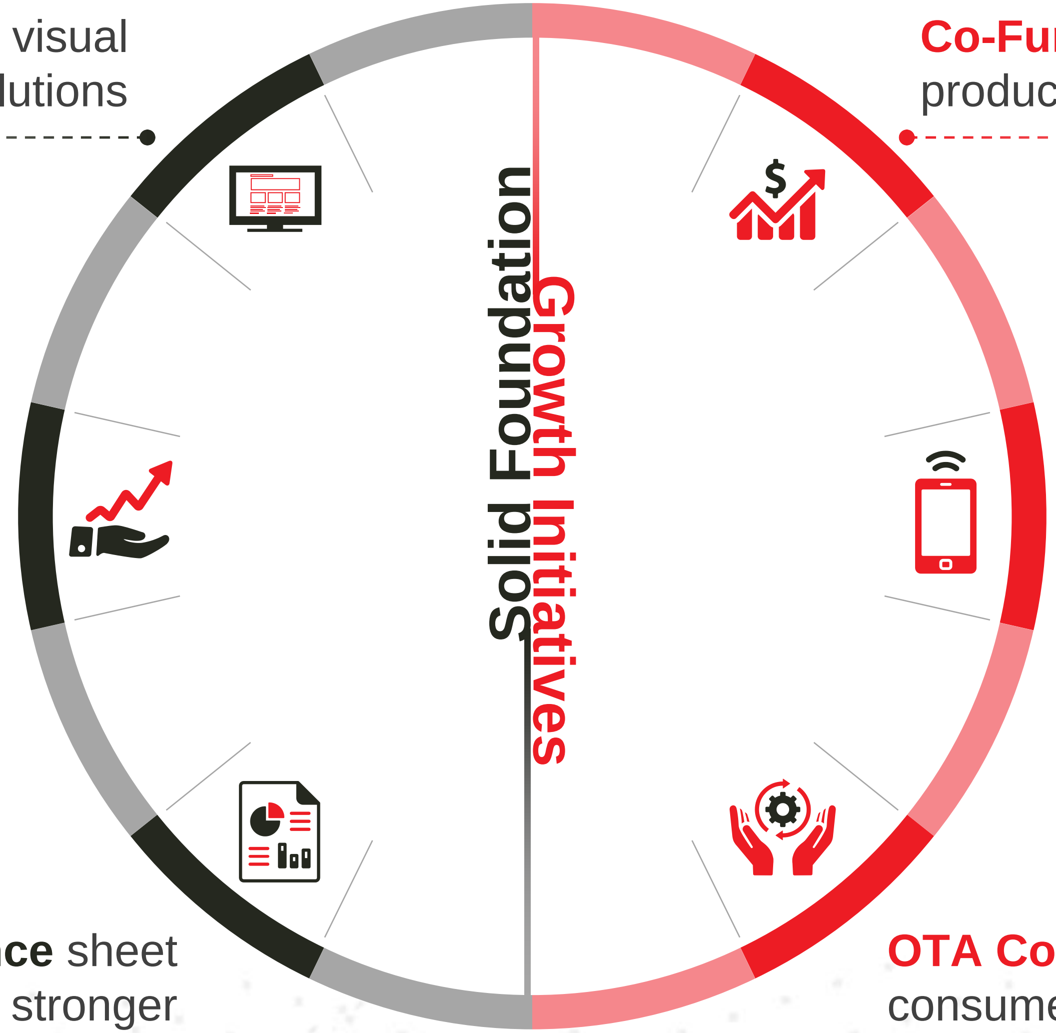
Liabilities		
Accounts Payable	$1,734	$1,436
Other Liabilities	8,054	17,872
Income Taxes Payable	2,020	2,728
Debt	-	6,069
Shareholders Equity	19,049	39,437
Total Liabilities & Shareholders' Equity	**$30,857**	**$67,543**

Foundation for Growth & Profitability

Fundamental Technology for visual processing & video delivery solutions

Stable, Profitable digital projection business

Strong Balance sheet growing stronger



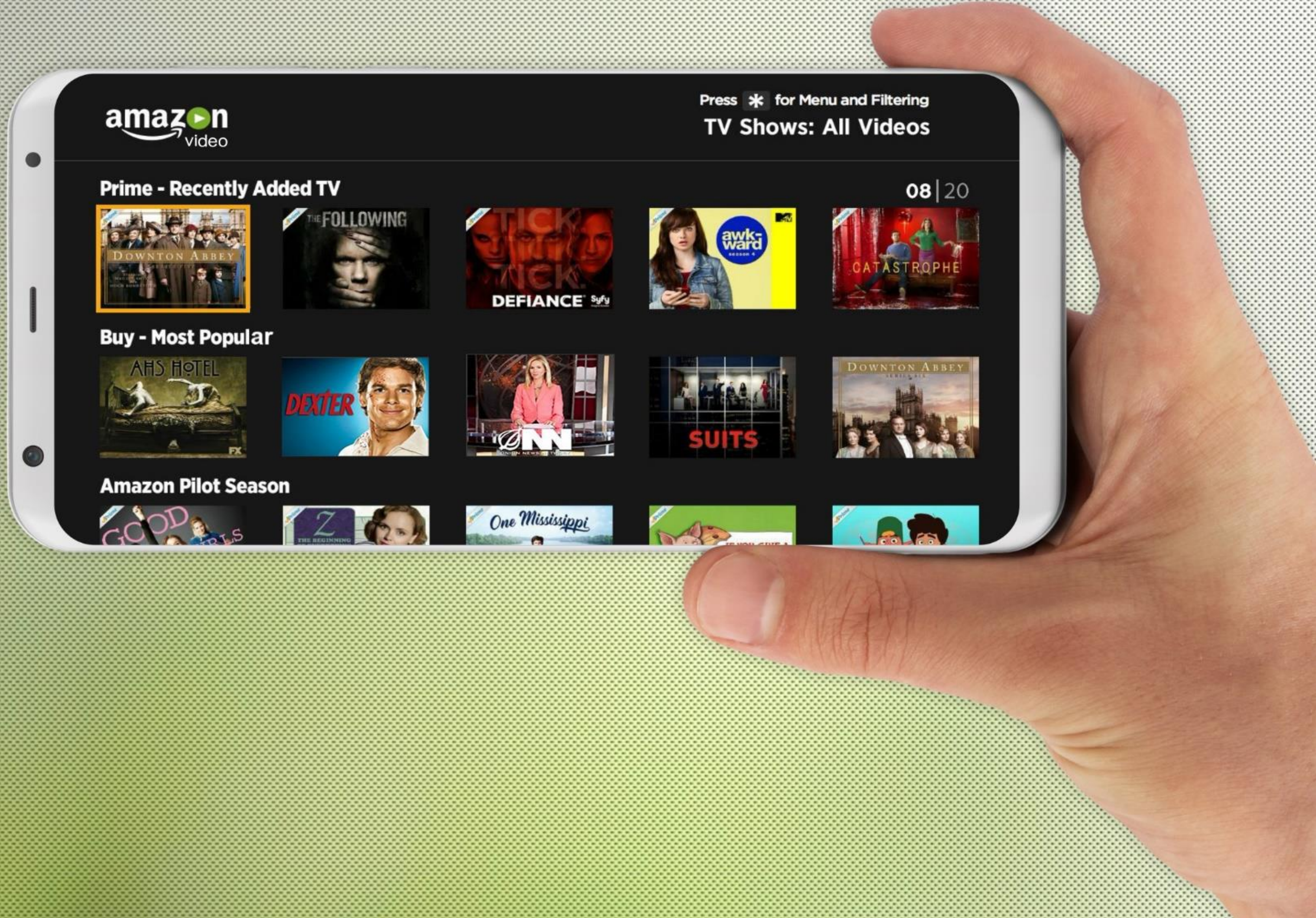
Co-Funded Development of future product by leading projector customer

Mobile Initiative bringing TV quality visual performance to smaller screens

OTA Cord Cutter Initiative for consumer Video Delivery markets

pixelworks®
PIXEL PERFECTION

THANK YOU



pixelworks®
PIXEL PERFECTION