



CORPORATE OVERVIEW

May 2017

Cautionary statements and other disclosures

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

These forward-looking statements involve risks and uncertainties and 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 Q1 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
- Founded in 1997
- Fundamental IP video processing
- Pioneer in Projectors (#1 mkt share)
- Strategic expansion into Mobile



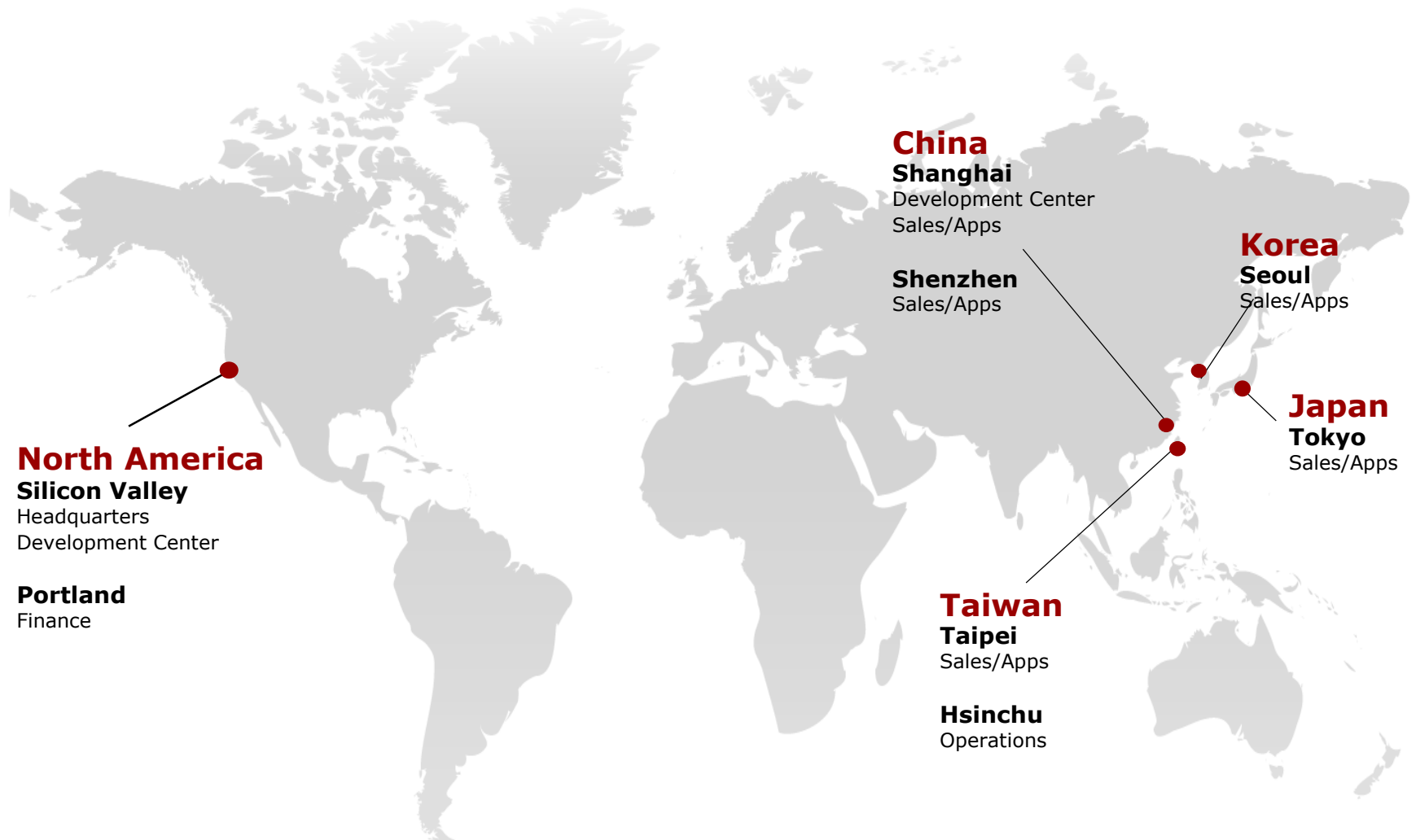
Recent Developments

- Announced acquisition of ViXS
- \$8M Co-Development Agreement
- Shipping 3rd generation Iris processor
- End-of-life non-strategic products
- Profitability attained in 4Q16 & 1Q17
- Implemented restructuring in 2Q16

Products & Markets

- **SoCs & software for Digital Projectors**
 - 3LCD & DLP
- **Video processors for Mobile devices**
 - Tablets & Smartphones

Pixelworks' Global Footprint



Video Processing IP

20 Year History of Image Processing Innovation
155 patents across Display Processing

Fundamental patents for image processing in projectors and other displays, enabling:

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

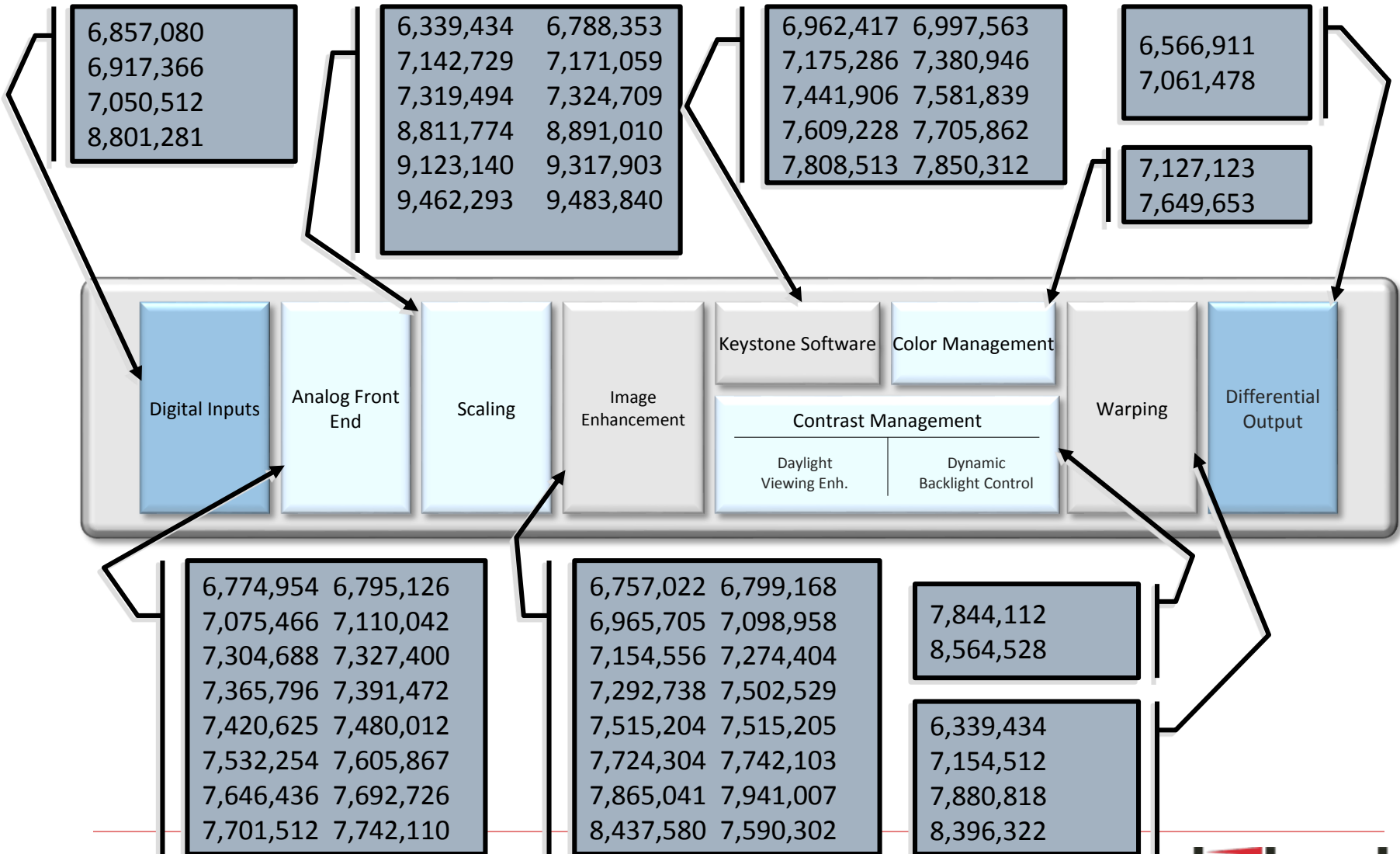


Broad IP portfolio across the display processing pipeline, including:

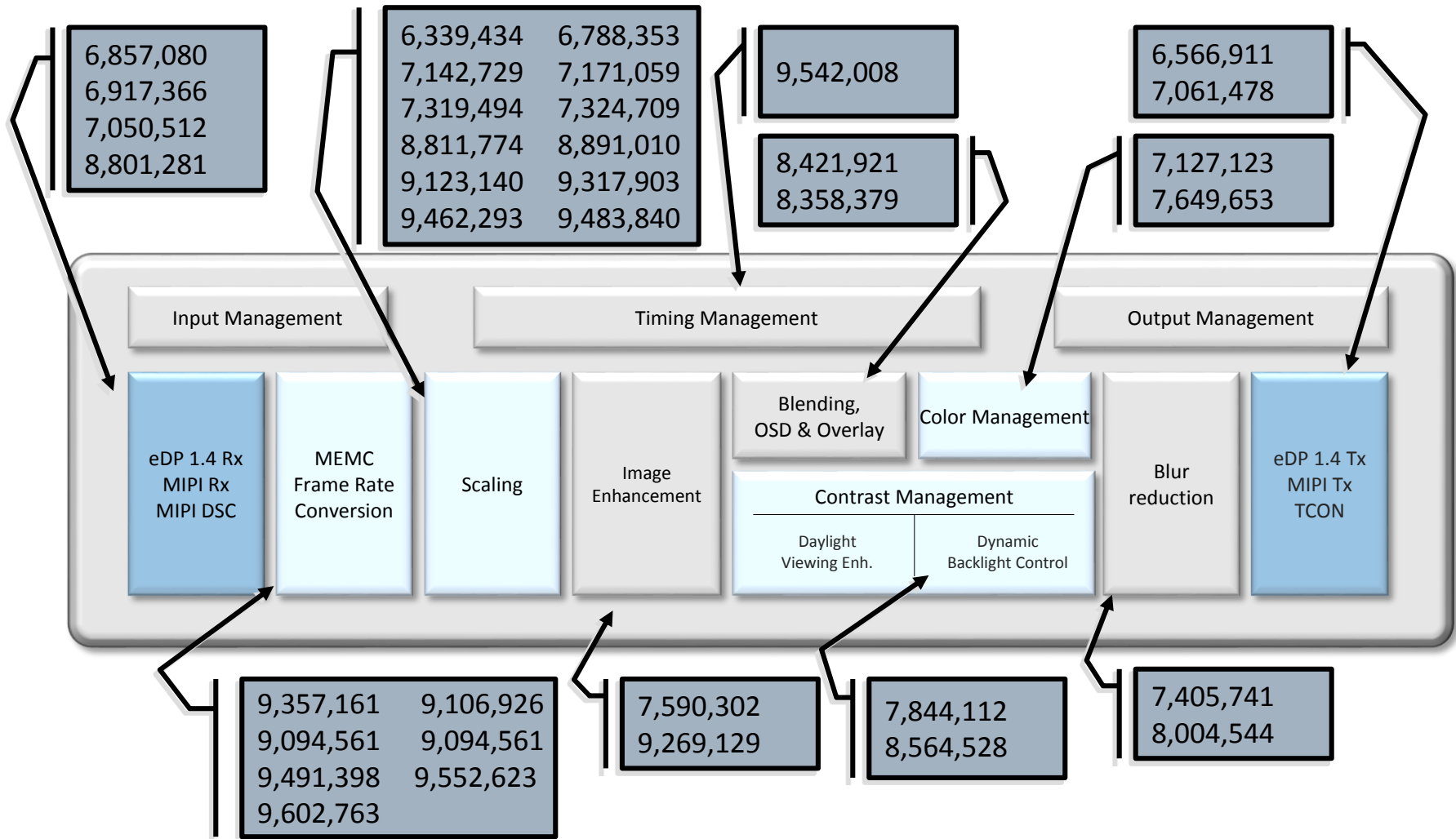
- Motion Estimation / Motion Compensation
- Color Processing
- Image Sharpness
- Image Contrast
- Memory Compression



Projector Display Processing



Mobile Display Processing





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.

Foundation for Growth & Profitability

Solid Foundation

- Fundamental technology for visual processing solutions
- Stable, profitable projector business
- Strong balance sheet growing stronger

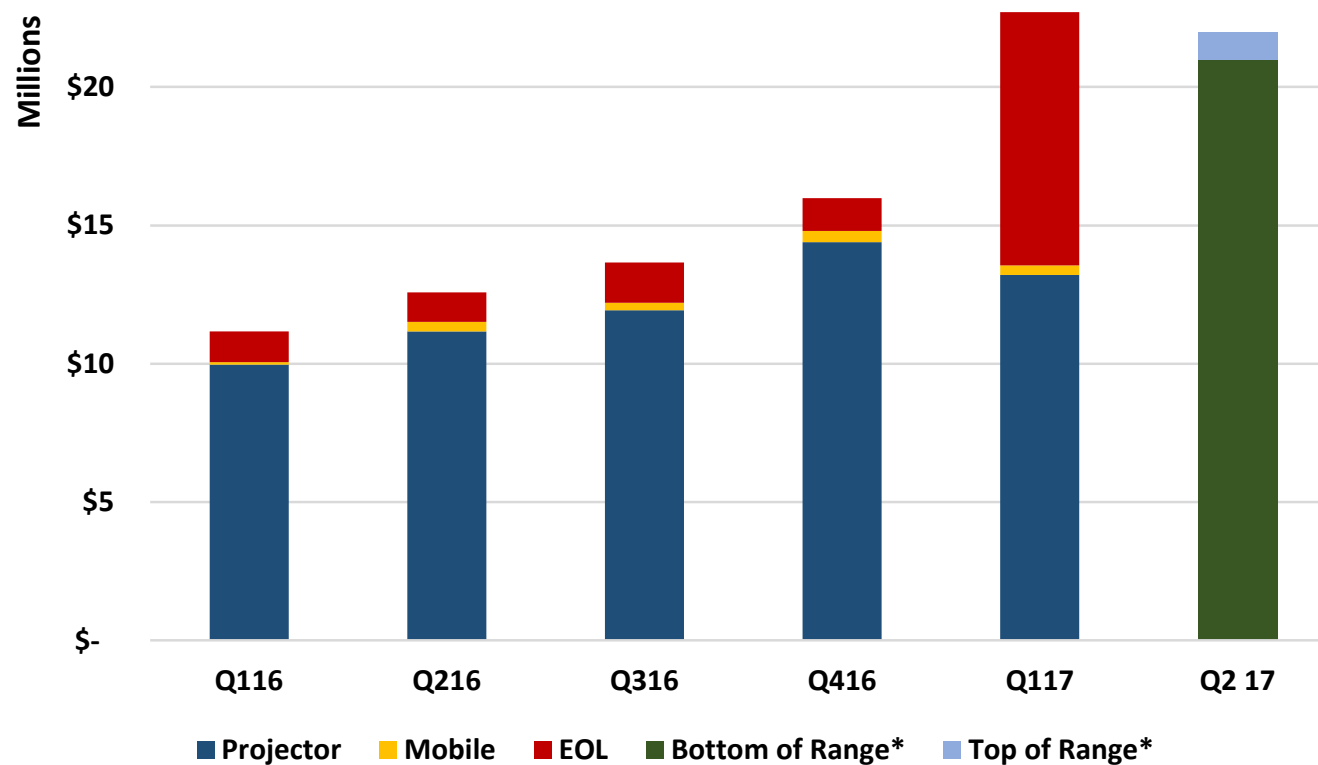
Announced Growth Initiatives

- Co-funded development of future projector product
- Mobile initiative bringing TV quality visual performance to smaller screens
- IP initiatives for the longer term success of PXLW technology

Recent Event

- Definitive agreement to acquire ViXS Systems

Revenue Trend



***Q2 2017 Guidance provided 4/27/17**

P&L Trend

	Q1 '16 A	Q2 '16 A	Q3 '16 A	Q4 '16 A	Q1 '17 A
Revenue	\$11,167	\$12,581	\$13,655	\$15,987	\$22,710
Gross Margin	\$5,359	\$6,488	\$6,633	\$8,561	\$12,445
Gross Margin %	48.0%	51.6%	48.6%	53.6%	54.8%
R&D	5,246	4,112	4,041	4,036	4,477
SG&A	3,973	2,910	2,739	3,276	3,833
Total Opex	9,219	7,023	6,780	7,312	8,310
Income/(Loss) from Operations	(3,860)	(535)	(147)	1,249	4,135
Other Income/(Expense)	(99)	(106)	(100)	(101)	(93)
Tax Provision/(Benefit)	59	113	193	(9)	278
Net Income/(Loss)	(4,018)	(754)	(440)	1,158	3,764
EBITDA	(2,870)	297	670	2,078	4,974
Net Income/(Loss) per share	(\$0.14)	(\$0.03)	(\$0.02)	\$0.04	\$0.12
Weighted shares	27,936	28,167	28,313	30,244	31,145

Balance Sheet Trend

	Q4 '16 A		Q1 '17 A	
Assets				
Cash and investments	\$	19,622	\$	19,642
Accounts receivable		3,118		9,608
Inventories		2,803		2,478
Property, plant and equipment		3,793		5,528
Prepaid expenses and other assets		1,521		6,017
Total assets	\$	30,857	\$	43,272
Liabilities				
Accounts payable	\$	1,734	\$	1,225
Other liabilities		8,054		15,427
Income taxes payable		2,020		2,304
Line of credit		-		-
Shareholders' equity		19,049		24,316
Total liabilities and shareholders' equity	\$	30,857	\$	43,272

Q2 2017 Outlook

Guidance for Q2 2017, as of April 27th, 2017:

- **Revenue:** \$20M - \$21M, including ~\$5.0M from EOL products
- **Gross Margin:** 53% - 55%
- **GAAP OpEx:** \$8.5M - \$9.5M
non-GAAP: \$7.5M - \$8.5M
- **GAAP EPS:** \$0.01 - \$0.08
non-GAAP: \$0.04 - \$0.11



DIGITAL PROJECTION MARKET

Digital Projection Market

Market Profile

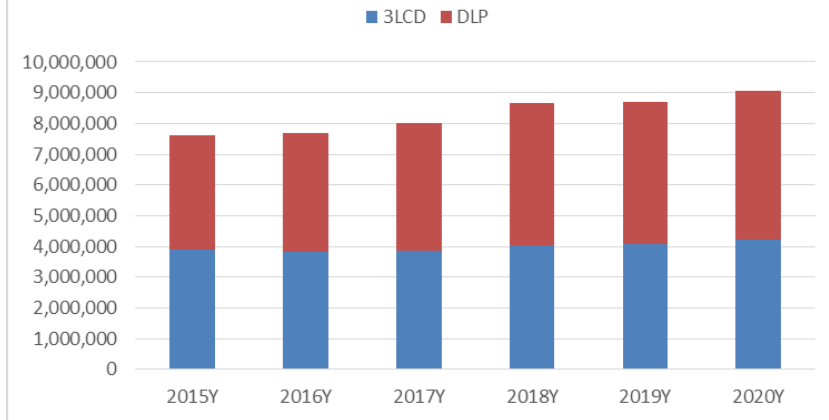
Primary Market Drivers

- Education in emerging markets
- Enterprise in developing markets
- Connectivity and interactivity applications

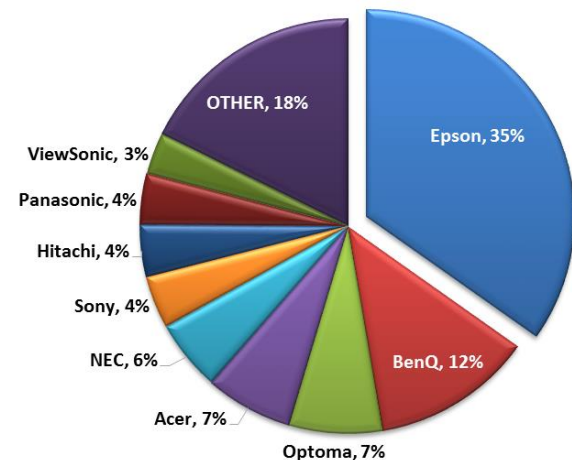
Market Characteristics

- Mature market
- Limited competition
- Long product life cycles
- Increasing dependence on software enhancements

Digital Projection Market



OEM Share of Total Market



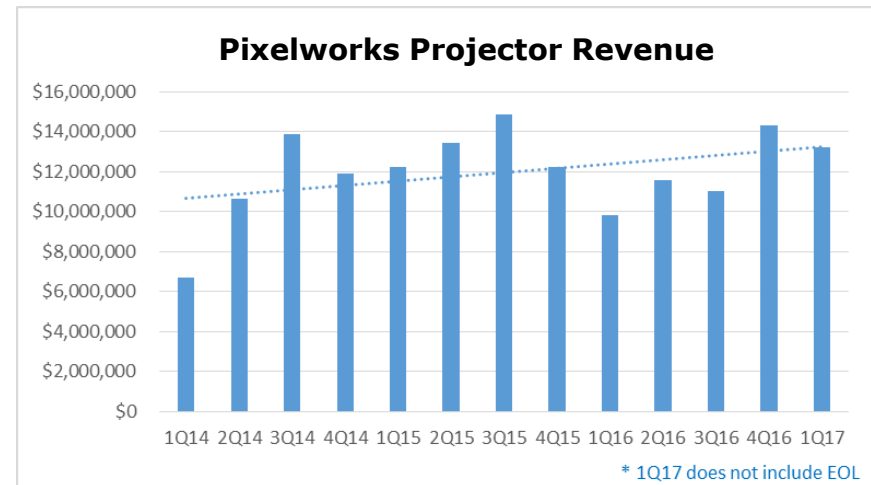
Market Performance – Digital Projection

FY 2016

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

PXLW Outlook

- Last time buys to benefit 1H 2017
- Core business growth outside of EOL
- \$8M co-development agreement with large projector customer
- Richer 2017 product margin mix after EOL
- Healthy market channel inventories



Projector Business Outlook

FY 2017

Healthy projector revenue growth over 2016

- Increasing adoption at our largest customer
- Recovery from Kumamoto earthquake
- Stable Topaz volumes

FY 2018

Continued growth in core business

- Healthy adoption at key customers

Market Opportunities

- New co-development project – started
- Pixelshift 4K projection
- Cost reduced mainstream projection
- DLP adjacent markets: MEMC, Keystone

Digital Projection Technologies



Large Venue
10,000 Lumens
Best image quality



Business
Best value
Connectivity, I/O



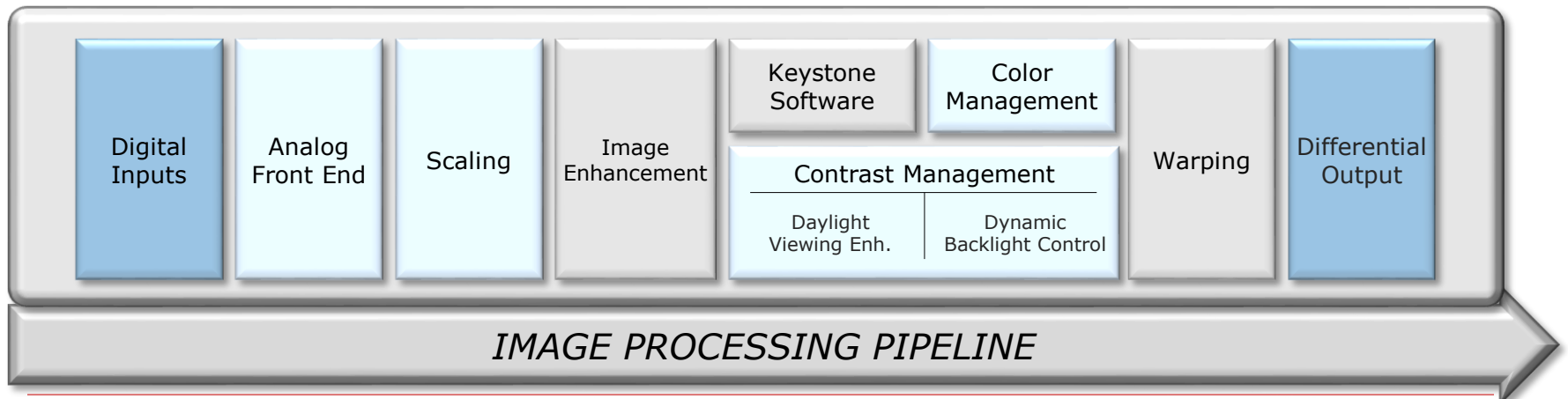
Home Theatre
Image enhancement
Contrast management



Education
Keystone, Warping,
Connectivity

Pixelworks advantage

Image scaling | Image enhancement | Screen alignment & warping





IP OVERVIEW

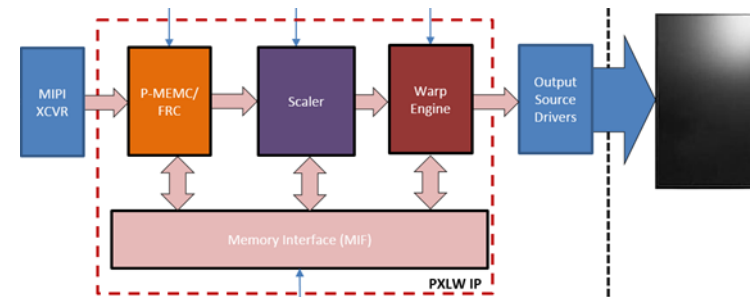
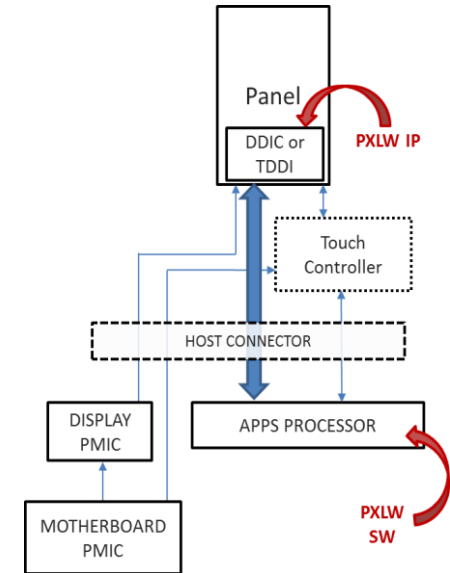
IP Programs – Background

- Pixelworks is an image/video processing company that supports ASIC and IP products
- Rich video and image processing IP portfolio
 - Looking to leverage into ASIC or IP applications to support customer value add propositions
- Target IP markets include:
 - Mobile Handsets
 - Projection
 - Notebook PC
 - Television
 - Automotive Imaging
 - Virtual Reality/Augmented Reality
- Company benefit from several key market macro trends:
 - Large scale introduction of OLED panels
 - Visual artifacts become obvious with fast switching, responsive and high resolution panels
 - Significant increase in mobile content consumption
 - Mobile OTT service proliferation and expansion, esp HDR services
 - Video services on mobile devices creating demand for quality video



IP Programs – Target Customer Breakdown

- Tier 1 Companies
 - US companies with significant global footprint
 - Both end-consumer and device suppliers
- Mobile Handset Companies
 - DDIC/TDDI suppliers
 - Apps Processor
 - LCM panel manufacturers
 - OEMs
 - Have been largely seeding the market for post-IRIS engagements for size/cost/power reduction
- Projection
 - Projection reference design and OEMs
- Adjacent Markets
 - Camera/ISP suppliers
 - Notebook PC suppliers
 - VR/AR headset and handset suppliers

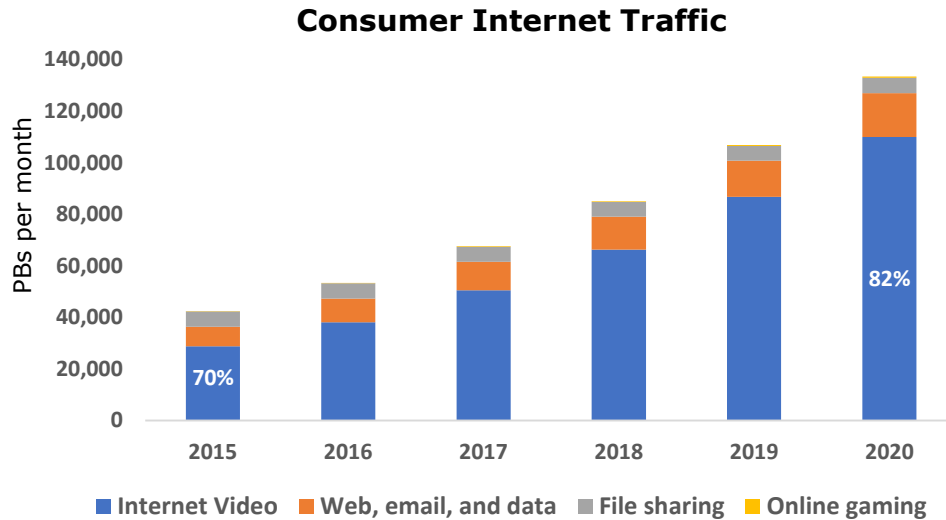




MOBILE MARKET

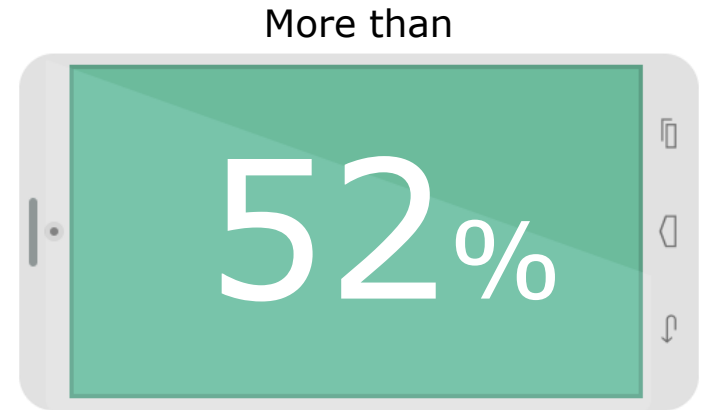
Video Consumption – Driving Need in Mobile

Massive Growth in Internet Video



Cisco VNI 2016

Video is Mobile Now



of all streaming video views
in Q316 were on **mobile
devices**

Global Video Index, Q316

In 2020...

4x growth in Internet video

10x increase in Mobile video

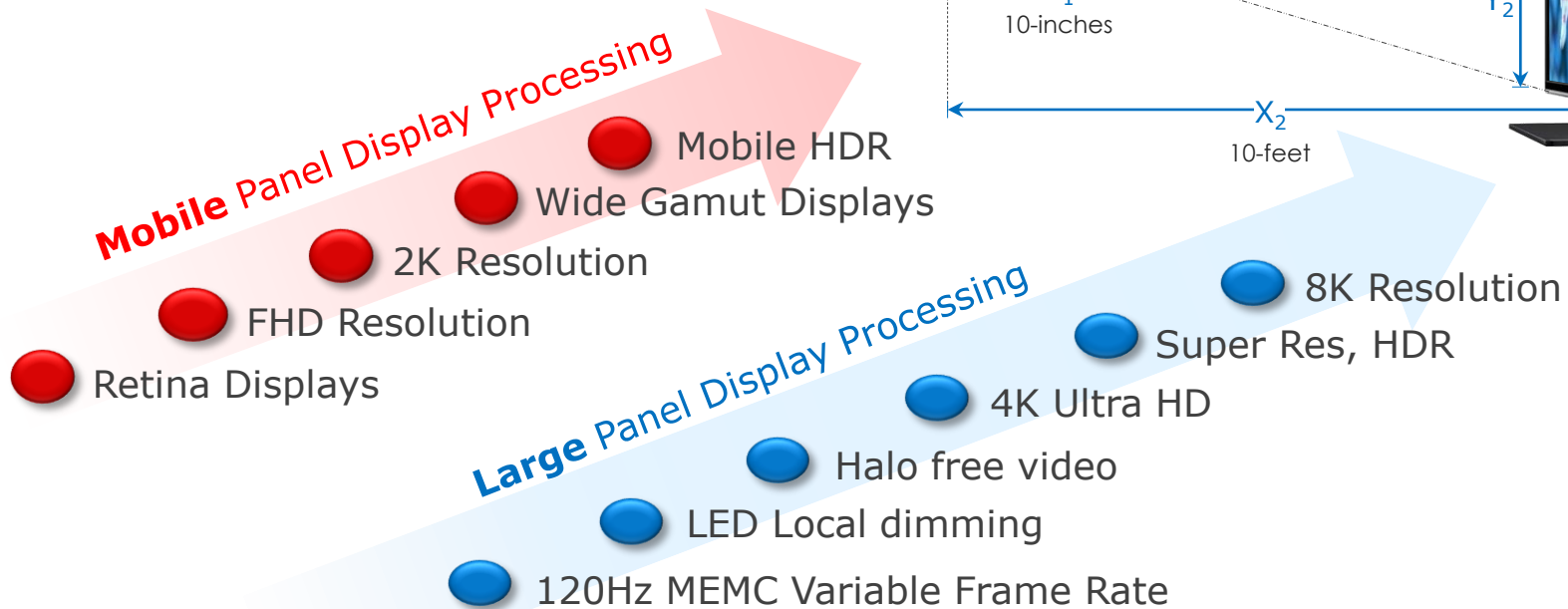
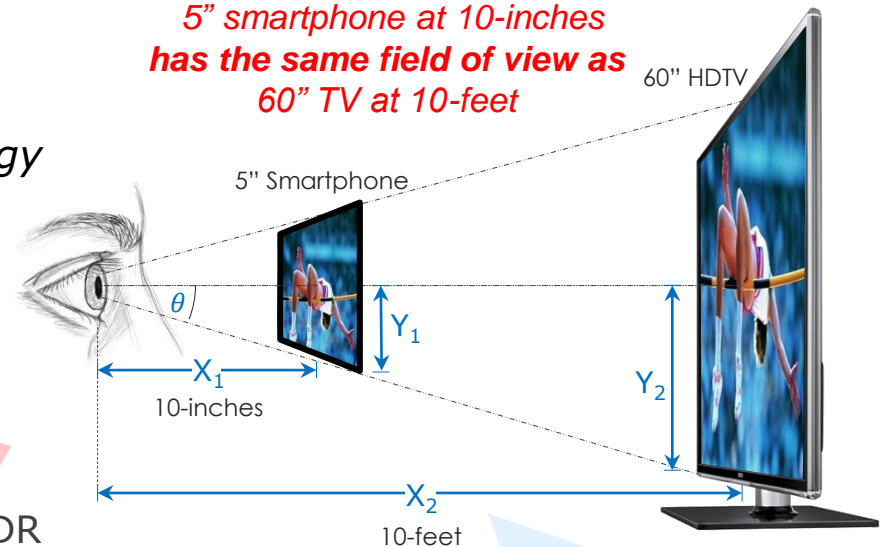
233% increase since Q313

34% watch full TV shows

Bringing TV Equivalent Viewing to Mobile

Advances in displays, processing, bandwidth and content delivery technology are enabling Mobile devices to deliver a TV-quality viewing experience

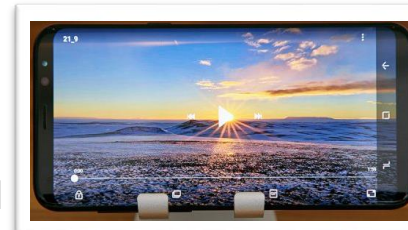
**5" smartphone at 10-inches
has the same field of view as
60" TV at 10-feet**



Near-term 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



Samsung Galaxy S8

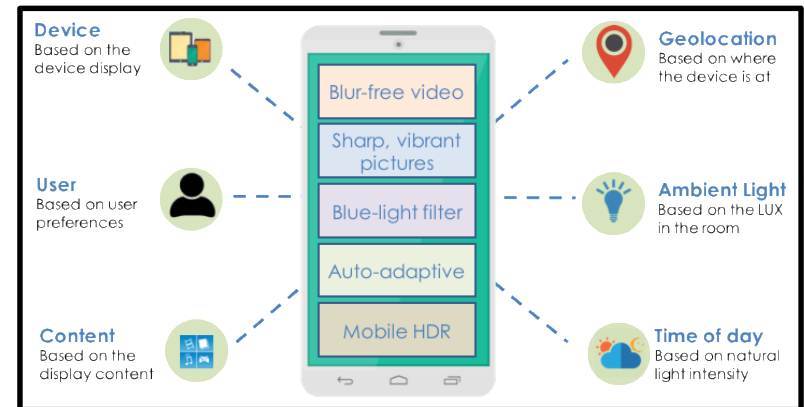


LG G6

Auto Adaptability

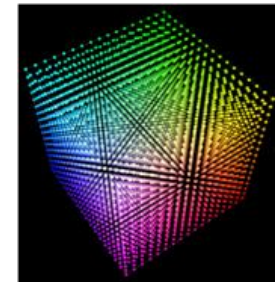
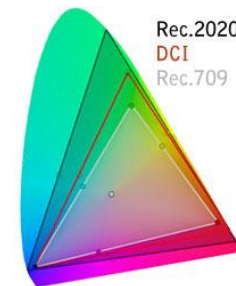
“With their new Iris processor, Pixelworks is providing important new technology and tools that will allow device manufacturers to significantly improve their display’s on-screen color and contrast image quality for consumers in real world ambient light viewing conditions.”

– Raymond Soneira, DisplayMate



Wide Color Gamut & Color Accuracy

- DCI-P3 is the Hollywood color gamut standard
- 25% more colors than traditional sRGB
- Growing expectation of better color accuracy



Longer-term Trends in Mobile Displays

Smooth, Blur-Free Motion

“..If you're watching videos, nothing is more annoying than watching your image break up while trying to keep up with a panning video.. Asus has included a 4K TV processor inside the phone...I'm impressed with just how much smoother panning video becomes...” [Zenfone 3 Ultra Hands-on](#)



ASUS Zenfone 3 Ultra

HDR videos need MEMC

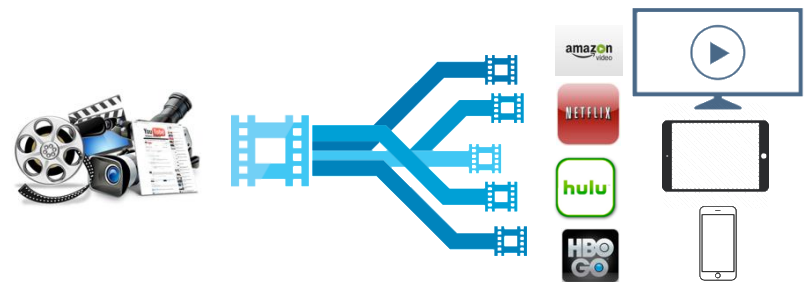
- HDR videos have higher contrast
- Judder perception increases with higher contrast
- Problem acknowledged by industry experts



Judder perception \propto
Judder x Contrast

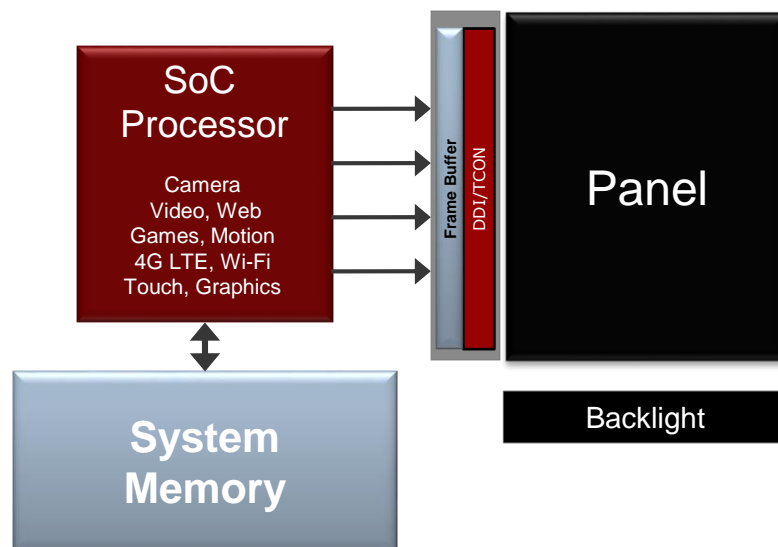
End-to-End Display Processing

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



Bottlenecks in Today's Display Architecture

Typical Mobile Display Architecture



Existing Mobile Architecture

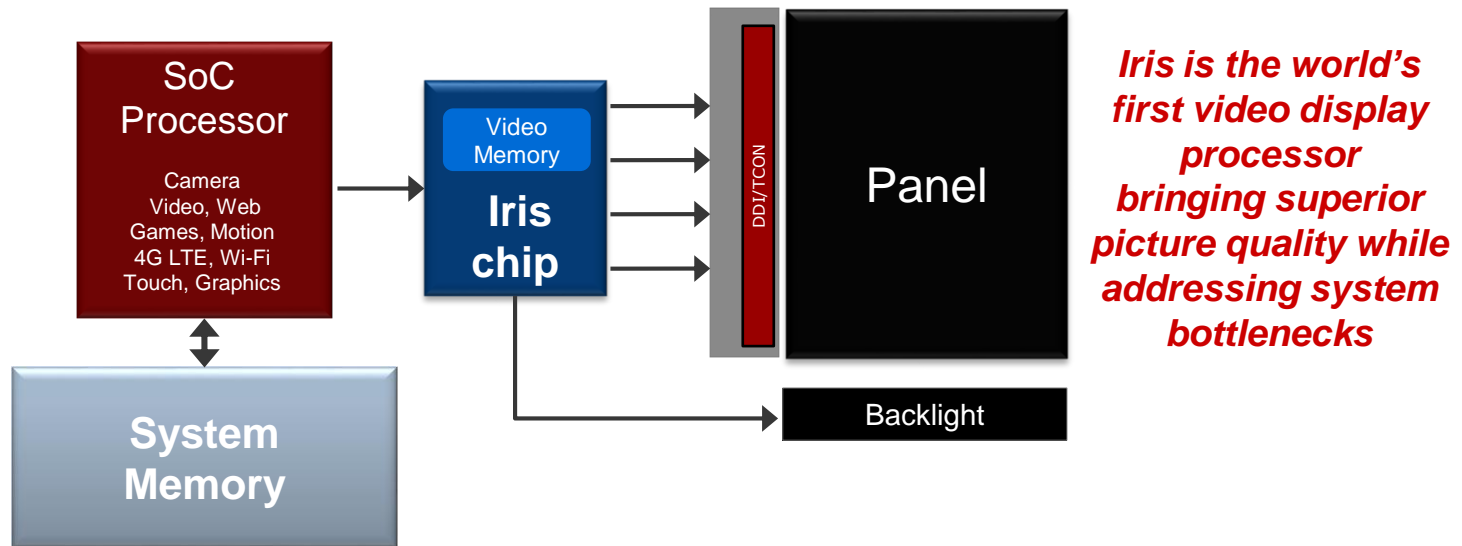
- Limited video processing
- Discrete memory
- Frame buffer in panel
- Increased panel costs
- Complex supply chain

Bottlenecks

- System memory
- SoC performance

Architecture with Iris

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 and power
- Cost-effective panels
- Simplified supply chain

Benefits

- Video frame buffer
- SoC off-load

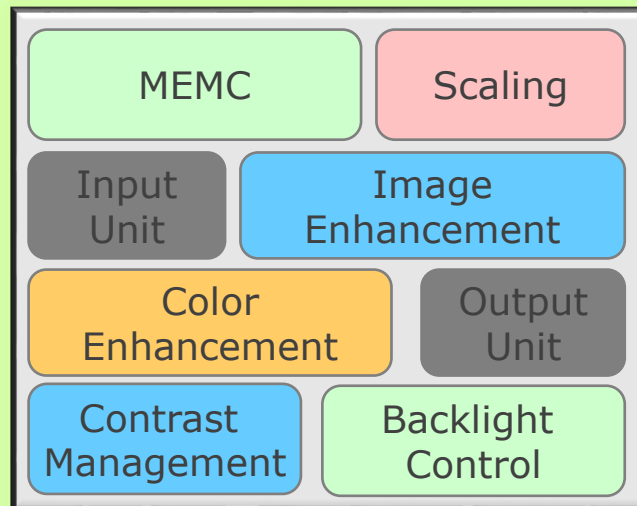
3rd Generation Mobile Processor



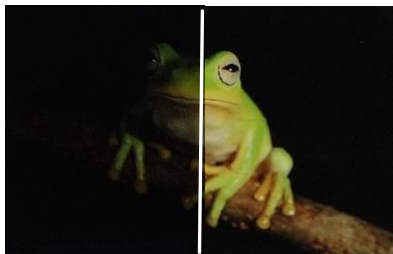
High Dynamic Range



Rich, Vibrant, Accurate Colors



Clear, Blur-free Video



Dynamic Range Enhancement



Sharp, Life-like Detail

$$\text{DNX}^{\circledR} = \text{True View}^{\text{TM}} + \text{True Clarity}^{\text{TM}} + \text{HDR}$$

True View: Ambient light and color temperature adaptability

True Clarity: Smooth, blur-free video

HDR: High-Dynamic Range for mobile

True View® – Auto Adaptive Displays

Device

Based on the device display



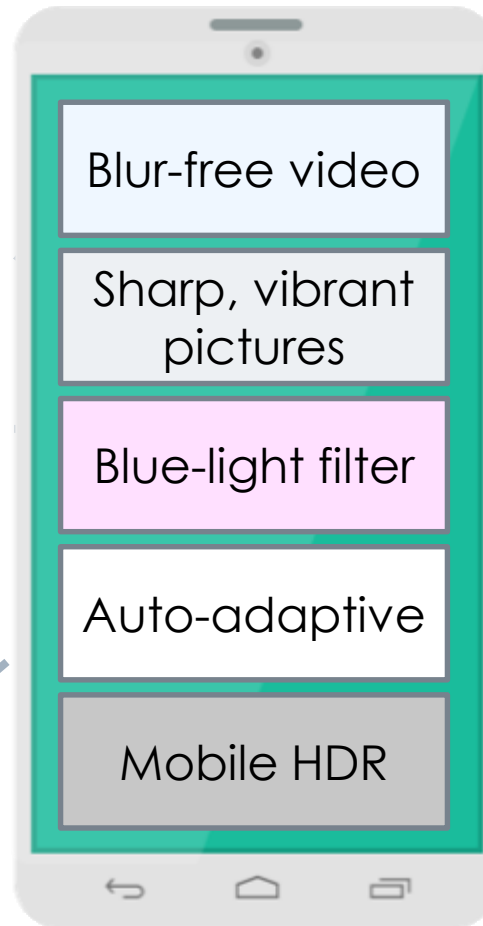
User

Based on user preferences



Content

Based on the display content



Geolocation

Based on where the device is at



Ambient Light

Based on the LUX in the room



Time of day

Based on natural light intensity

True Clarity™ – TV Quality for Mobile Devices

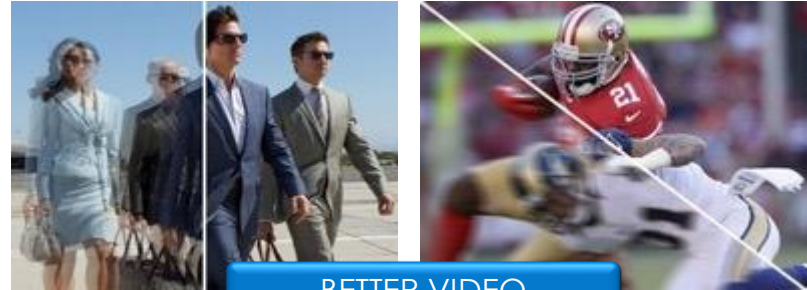
Clear, Blur Free
Video

Sharp
Life-Like Detail

Dynamic Range
Enhancement

Rich, Vibrant, And
Accurate Colors

Clearer Outdoor
Viewing Experience



Mobile HDR – Certified, Differentiated Quality



SDR (Without Iris)

HDR (With Iris)



SDR (Without Iris)

HDR (With Iris)

Faster, Easier certification

- Current HDR enabled phones use proprietary solutions to achieve certification
- Iris enables OEMs to achieve certification at even higher quality levels

Segmentation

- Iris enables HDR on mid-tier smartphones
- Iris enables HDR on a broader range of LCD and OLED panels

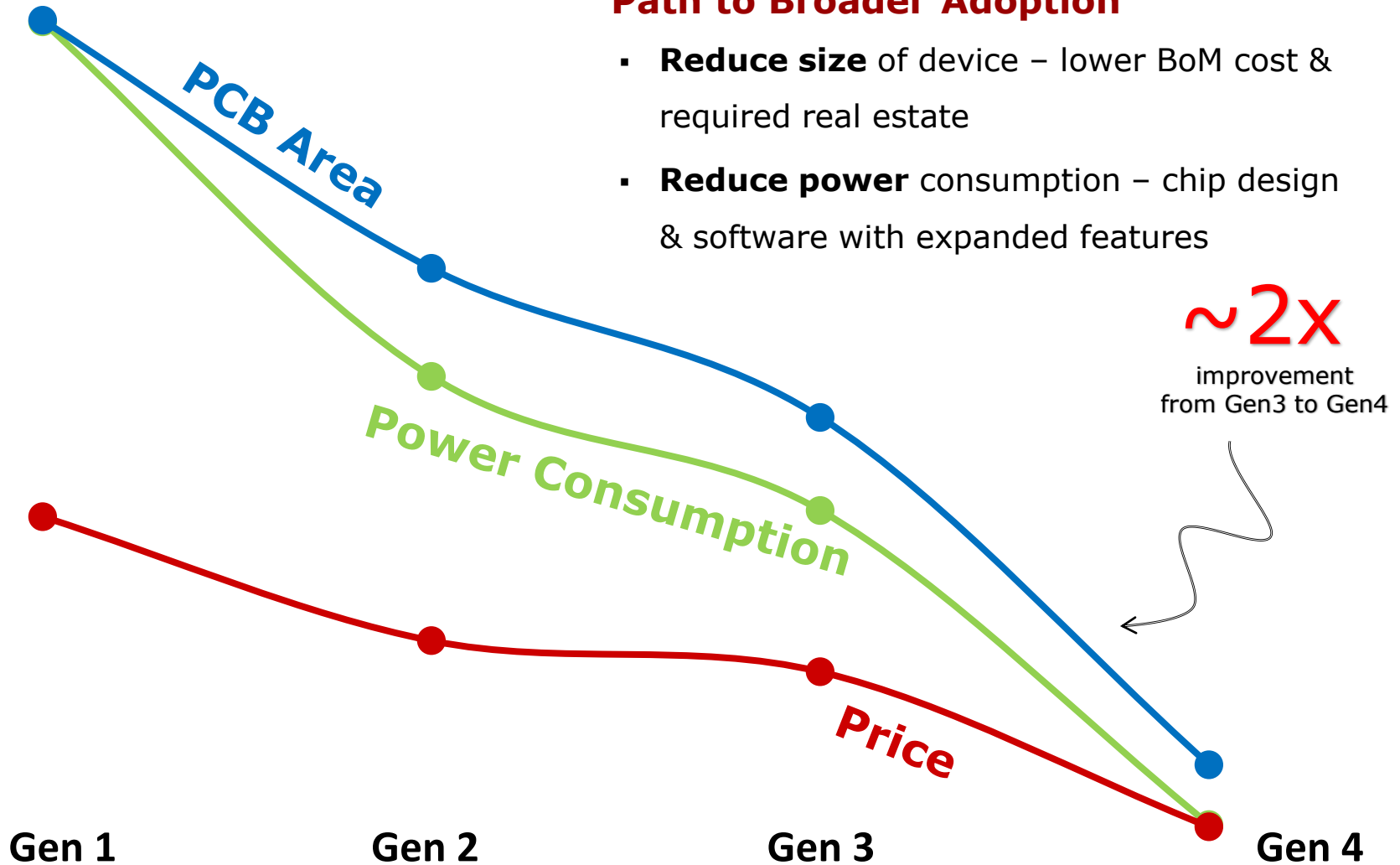
Differentiation

- Iris has features like MEMC that are considered “essential technologies” for HDR
- True View and ambient light adaptability enhances the viewer’s HDR experience

Iris Progression

Path to Broader Adoption

- **Reduce size** of device – lower BoM cost & required real estate
- **Reduce power** consumption – chip design & software with expanded features



Advanced Development

- Mobile video development
 - Continuing R&D investment
 - Aligned with premium video feature roadmap from market leaders
 - Lower power, smaller footprint, lower cost, and higher quality
 - Engineering our migration to smaller geometries
 - Developing mobile analog IP for silicon integration
 - Optimizing algorithms and design
- 4th generation mobile processor
 - Our highest video quality yet
 - ~2x improvement in power, footprint, cost
 - Broader support for mobile application processors and displays
 - Taping out shortly for samples in Q4



ViXS SYSTEMS

ViXS Acquisition – Terms of Transaction

- All-stock offer of approximately 3.7 million shares of Pixelworks, valued at approximately \$20.2 million
- Based on 60-day trailing average stock price of \$4.65 for PXLW and C\$0.21 (US\$0.15) for ViXS, transaction represents a premium of ~47.7%
- Pixelworks will assume ViXS outstanding debt at closing
 - Comerica line of credit
 - Convertible debentures - +70% of holders waived CoC provision prior to the definitive agreement
- At the effective closing date, each share of ViXS to be exchanged for 0.04836 of a share of PXLW common stock
- ViXS's shareholders will hold ~11% of Pixelworks' outstanding shares
- Expected to close in calendar 3Q 2017, subject to closing conditions

ViXS Acquisition – About ViXS Systems

- Pioneer and market leader in designing advanced media processing solutions
 - Roughly 90 employees (85% engineers)
- Sold legacy MoCA business to MaxLinear for \$5 million in April 2017
- Renewed strategic focus on core video business – video over IP, over-the-air (OTA) “Cord Cutter” and media streaming applications
 - Recently announced a UHD/BD product with Sharp
- Best-in-class adaptive bit rate video transcoding/compression technology
 - Design wins for UHD/HDR decoder and transcoder products
 - 12-bit High Dynamic Range (HDR) technology
- More than 470 patents granted or pending worldwide

ViXS Acquisition – Transaction Rationale

*Combines Visual Display Processing and Comprehensive End-to-End Delivery
To Create Industry Leader of High-Quality Video Streaming Solutions*

- Both companies have a long heritage in video processing solutions and deep domain expertise in visual display and video solutions
- Together, combined company will have over 170 engineers and over 600 patents granted and pending
- Broadens Pixelworks' product offerings with accretive revenue across new adjacent end markets
- Enables incremental R&D to pursue expanded technology development
- Unique opportunity to accelerate development of enhanced visual display products and comprehensive end-to-end video streaming solutions
- Expected to be accretive to Pixelworks' diluted non-GAAP EPS in FY2018



ViXS Overview

May 2017



ViXS: Leading Pure-Play in Video Processing Technology

Markets	<ul style="list-style-type: none">• Disruptive Trends: 4K UHD, HDR, 10/12-bit, OTA, IP infrastructure• Consumer (OTA, UHD Blu-Ray); Infrastructure (Transcoding) vs. Set Top Box Focus
Technology & IP	<ul style="list-style-type: none">• Leader in Transcoding, adaptive bit-rate streaming, content protection, video analytics• Rich IP Portfolio: ~470 patents; Independently assessed by ROL and BlackStone IP
Financial	<ul style="list-style-type: none">• Sold low-margin MoCA business for +\$5 million
Company	<ul style="list-style-type: none">• HQ in Toronto; R&D in Hong Kong; Sales in Asia, Europe, N. America• Experienced: 90 full time employees, > 85% of employees are engineers

Anywhere, Anytime, Any Device

“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

Current infrastructure built on 20 year old technology that is not optimized to handle today's video traffic



ViXS Product Families: Enabling the Delivery of Video

Markets:

End Products:

ViXS Chips:

TAM:

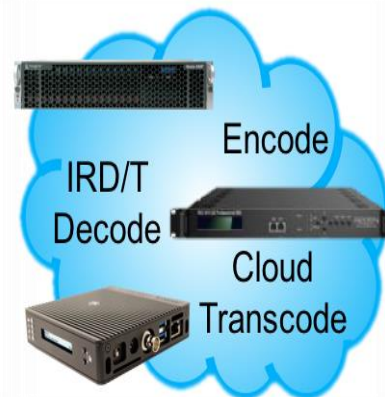
Consumer

*UHD BD & Streaming
in the Home*



Video Delivery

*Video Processing
and Distribution*



XCode®

XC51xx	XC64xx
XC55xx	XC68xx

OTA / OTT
\$250M

UHD BD
\$110M

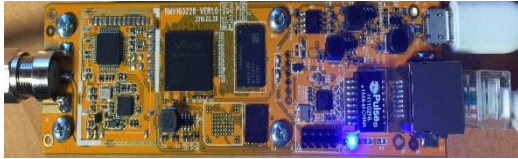
XCode®Pro

XCP100	XCP300
XCP200	XCP370

Professional
Decode/IRDT
\$130M

Dense Encode/
Transcode
\$345M

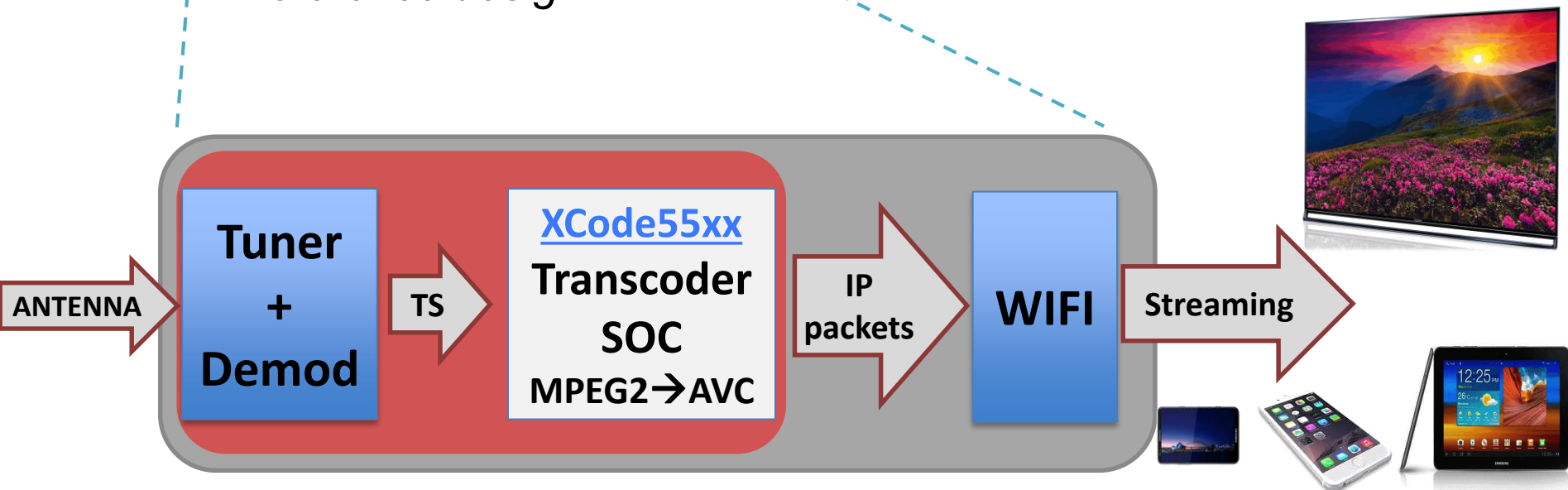
Cord Cutter Solution – OTA



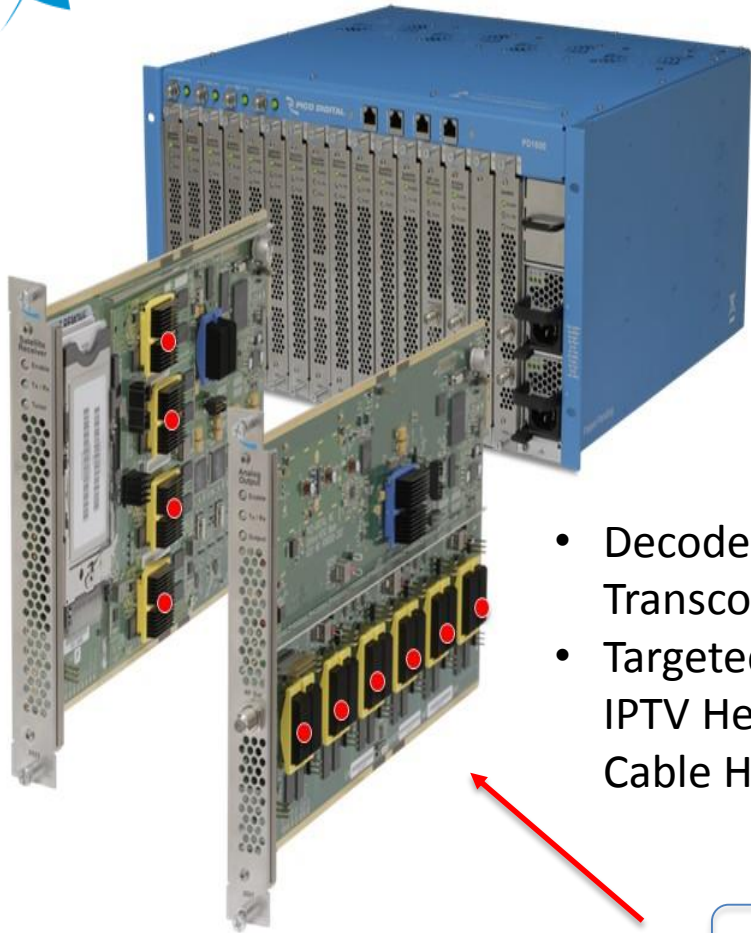
*ViXS “Cord Cutter TV”
reference design*



**ViXS mobile solution will work with
all streaming solutions (e.g.,
Chromecast /Fire stick/ROKU)**



Infrastructure Solutions

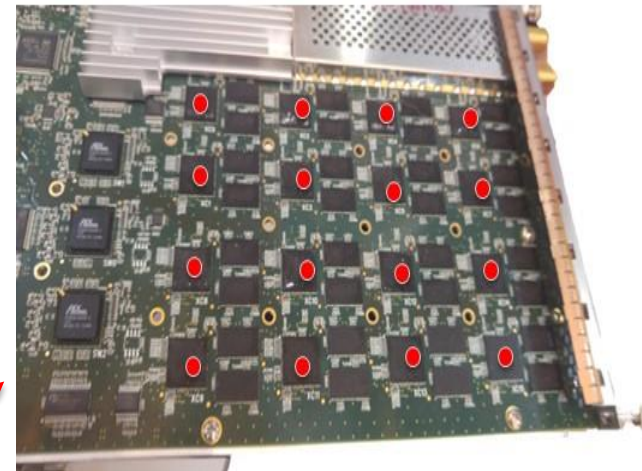


- Decoder / Transcoder
- Targeted at IPTV Headend & Cable Headend



Terrace QAM Hospitality Gateway

- Hospitality Industry
- Dense Transcoding
- 2RU platform



Diversified Customers Base





THANK YOU