

Corporate Overview

November 2017



Cautionary Statements & other Disclosures

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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 Q3 2017 press release which has been furnished to the SEC on Form 8-K.



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

- › Sampling 4th gen Iris processor now
- › Continue to gain market share in Projectors
- › Achieved 55% GPM in Q3
- › ViXS integration mostly 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



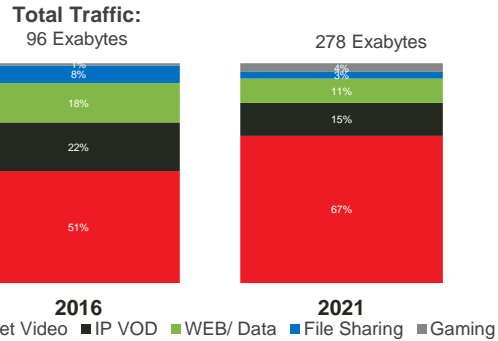
Pixelworks' Opportunities in the New Video Ecosystem

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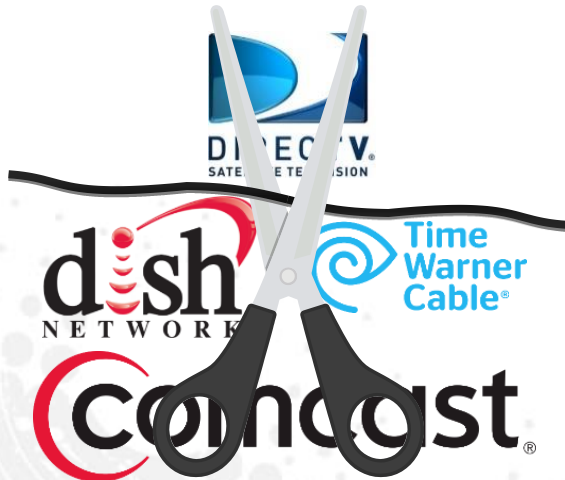
Video Content Exploding

Global IP Traffic

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



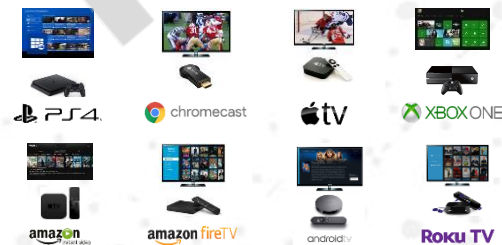
Video Delivery Methods Multiplying



Major Video Streaming Services



Gaming Media Players

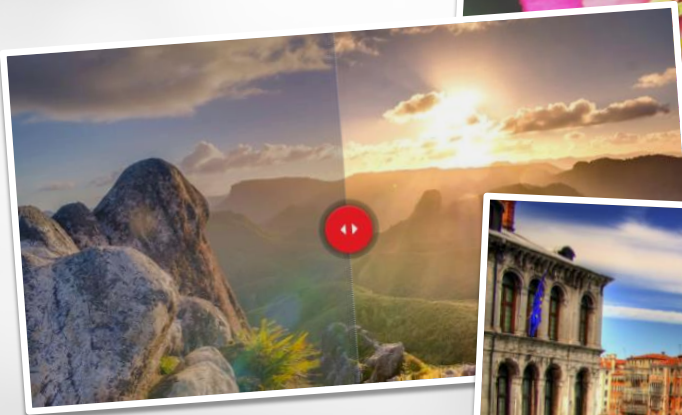
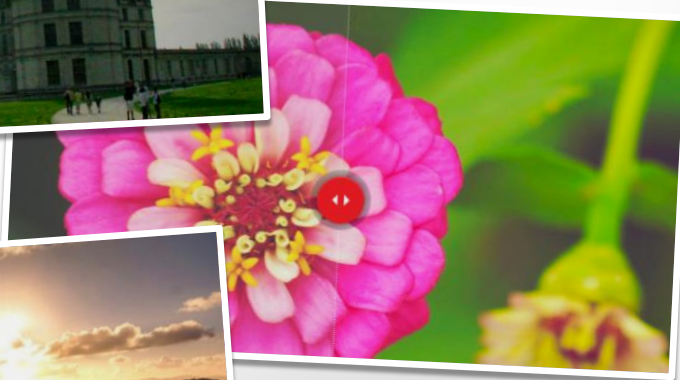
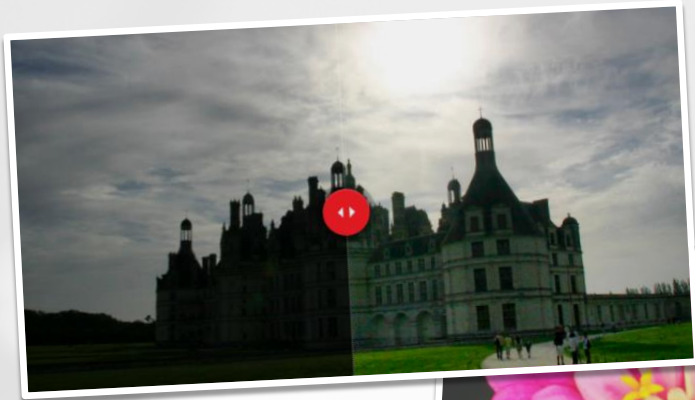


Video Watching Patterns Changing



Delivering Authentic Video Experience

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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

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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

Trends in Mobile Displays

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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



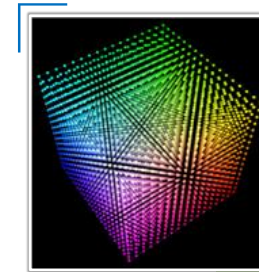
Samsung Galaxy S8



LG G6

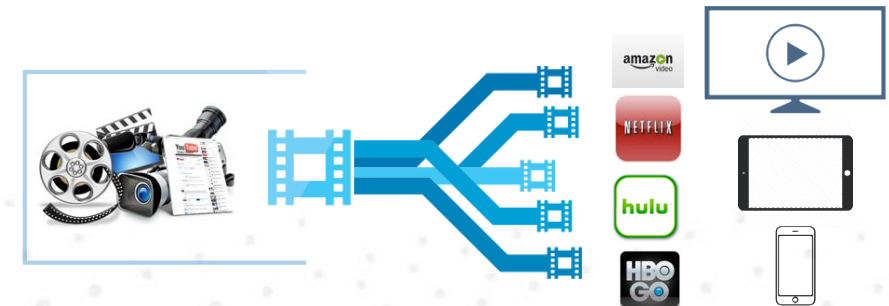
Wide Color Gamut & Accuracy & Auto Adaptability

- › 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

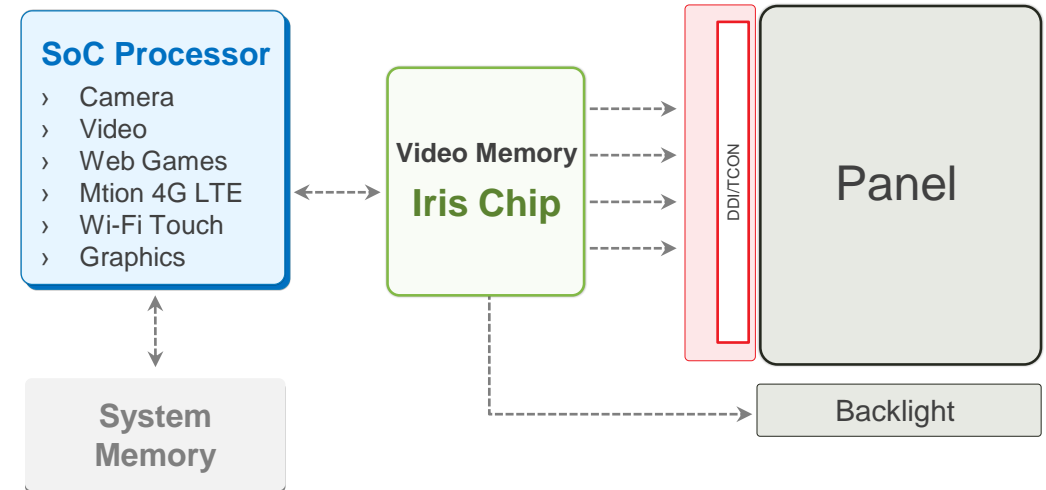


Mobile Solution - Iris Architecture at the Core



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

Optimized Mobile Display Architecture with Iris



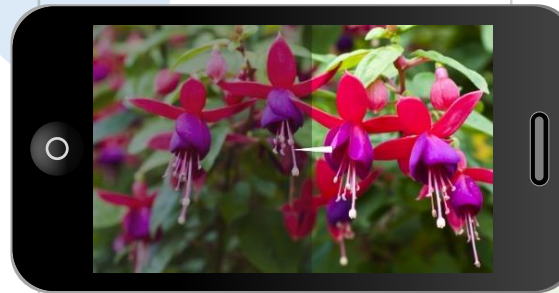
Existing Mobile Architecture



Bottlenecks

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

System Memory
SoC Performance



Pixelworks Iris Solution



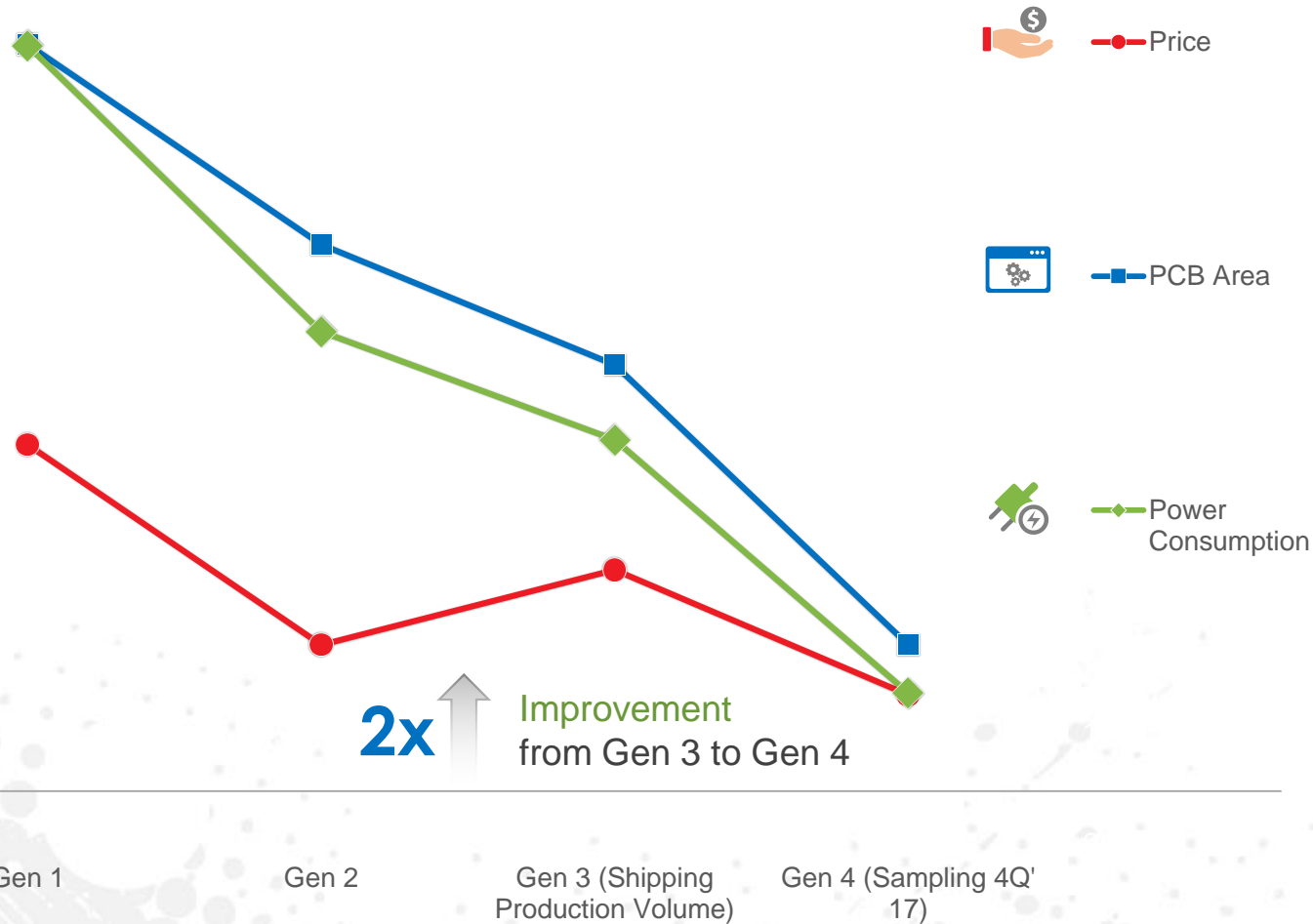
Benefits

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

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

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ZenFone™ 3 Ultra



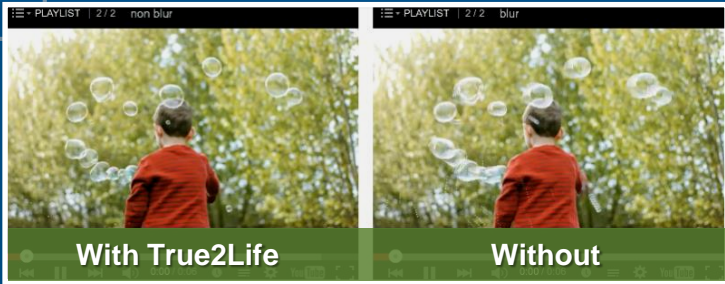
ZenPad™ Z8
(exclusively at
Verizon Wireless)



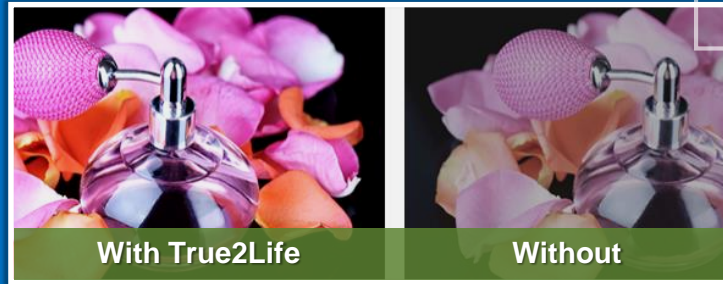
ZenPad™ 8.0



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

CordCutter Solution connects to home network, starts to transcode and stream Free OTA content to mobile device

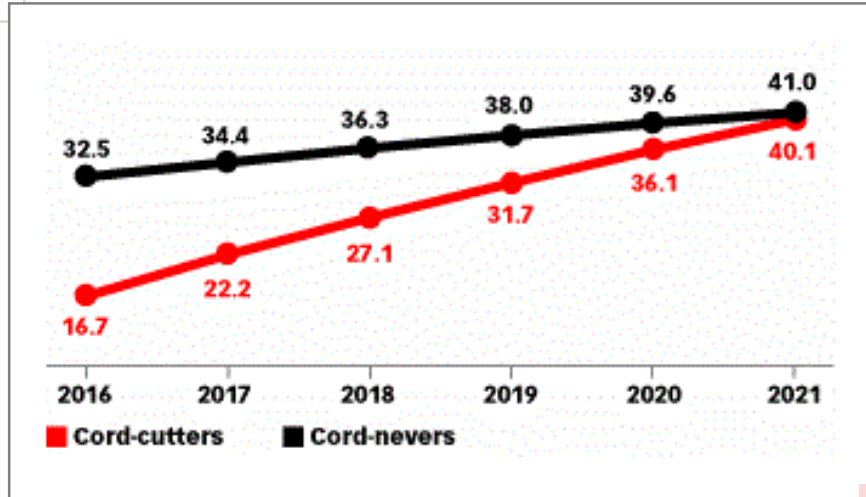
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Mobile, TV and Media devices find CordCutter solution via the **home network**



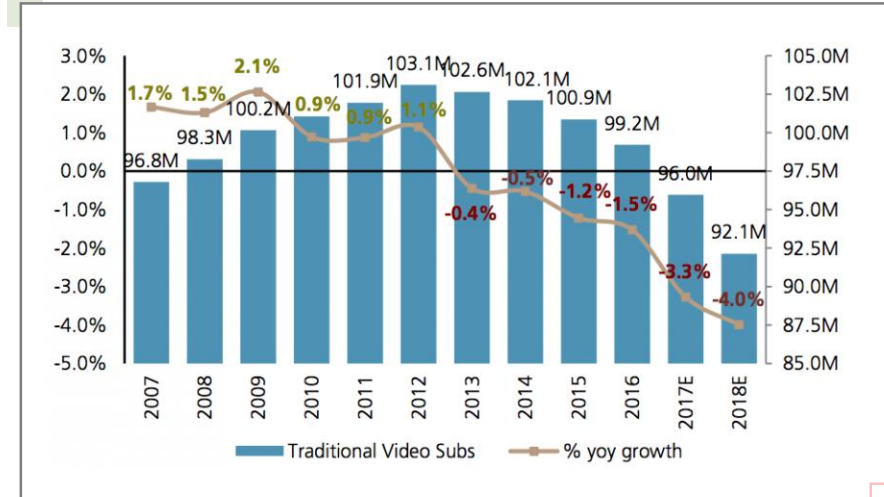
Video Delivery Market & Opportunity

 US Pay TV Nonviewers, 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 nonviewers 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

NEC

Tablo

FUNAI

vecima
networks

Hauppauge!

ANTENNAS
DIRECT

SHARP

dish

PICO DIGITAL

TOSHIBA

Televes

SONY

“

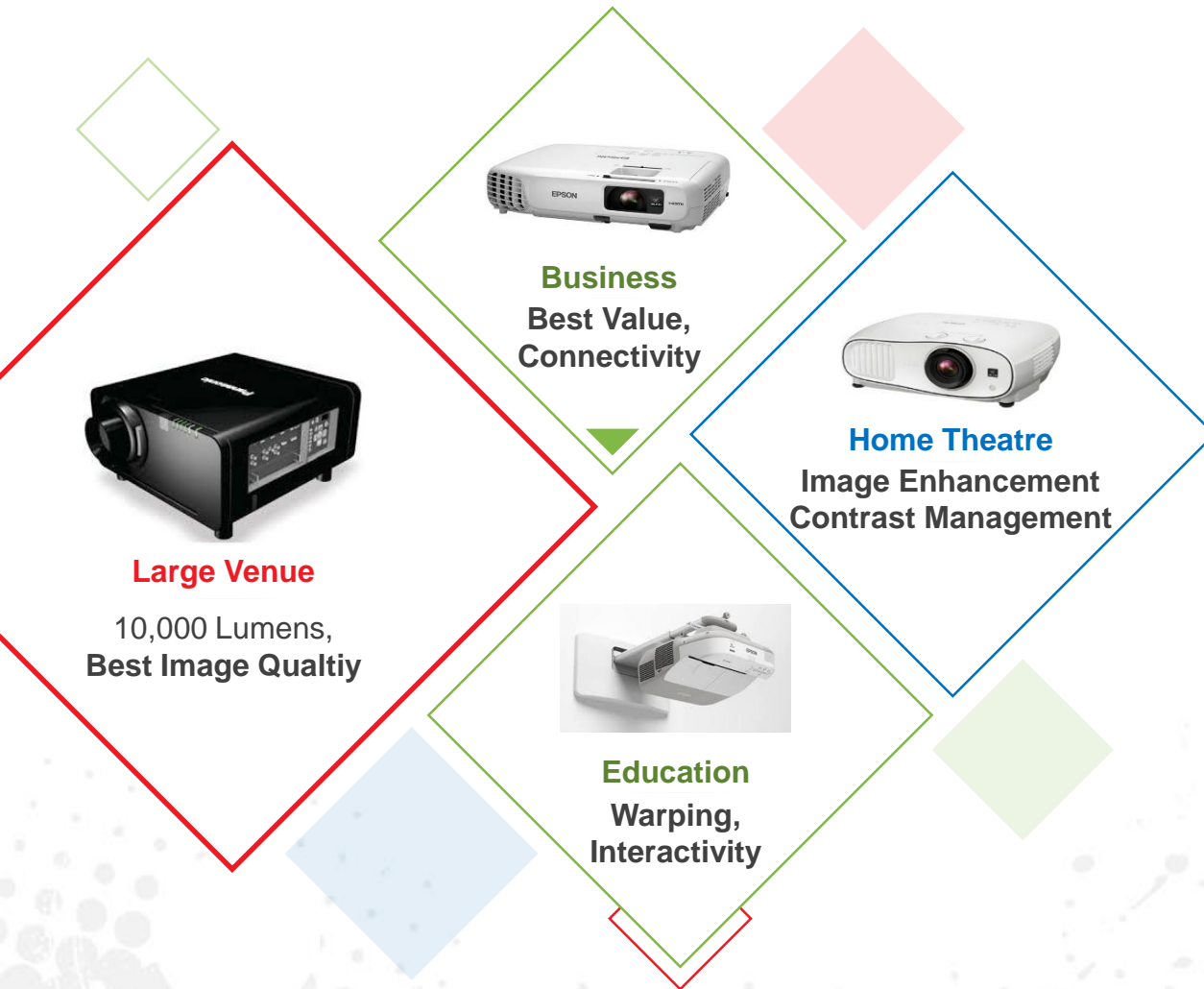
A new generation of media consumers has risen, demanding content delivered when they want it, how they want it and very much as they want it

Rupert Murdoch

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PIXEL PERFECTION

Projectors – Solution & Market

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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

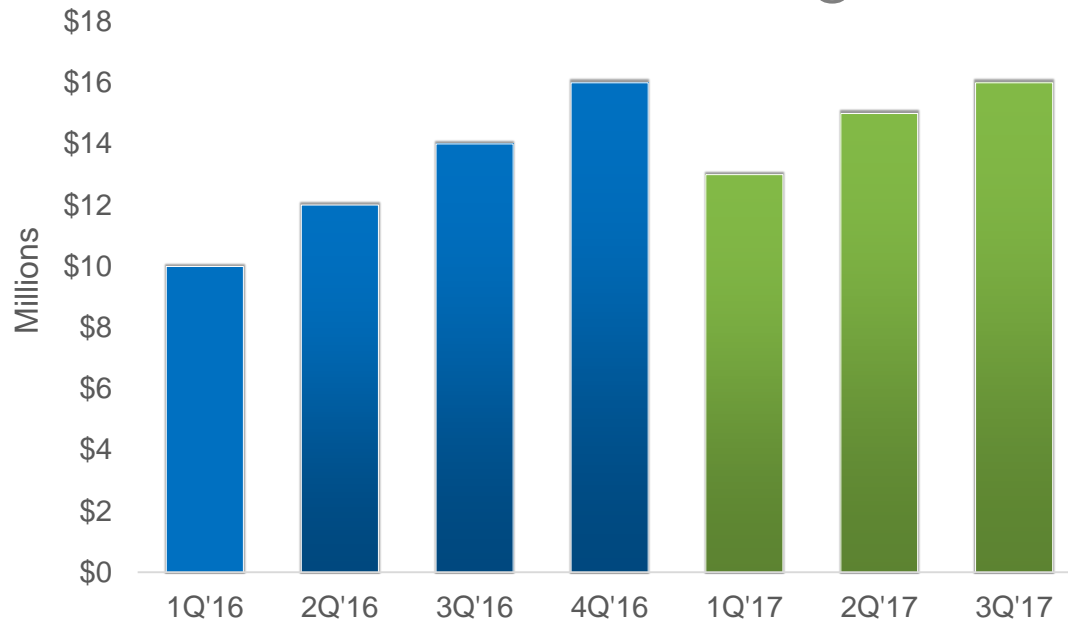
ViewSonic

pixelworks®
PIXEL PERFECTION

Digital Projection: Pixelworks Performance

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Pixelworks Projector Revenue 



2016

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



2017 YTD

(Revenue +30% 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



2H 2017
& 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

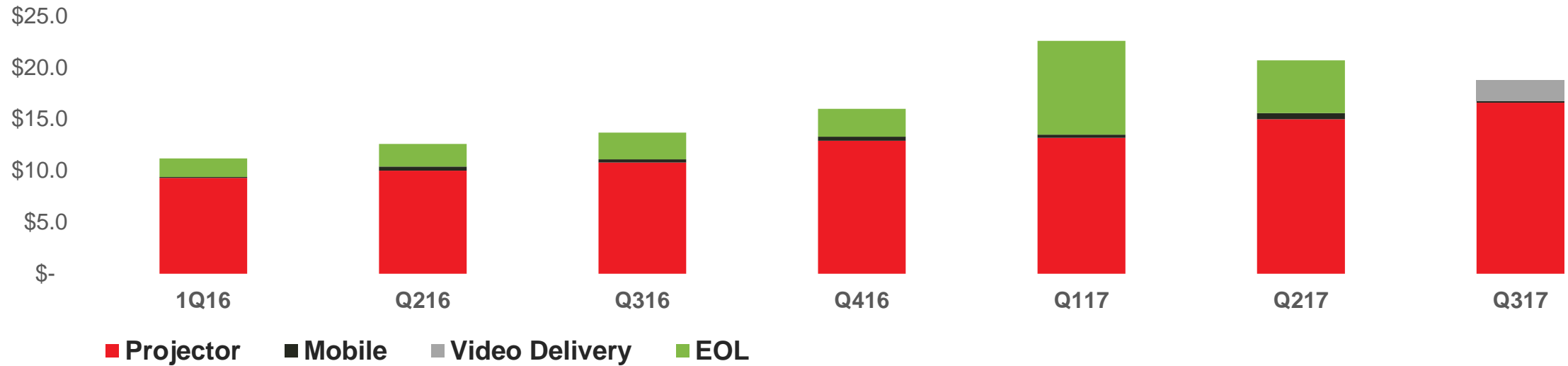


Future Market
Opportunities

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

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

	1Q'16*	2Q'16	3Q'16	4Q'16	1Q'17**	2Q'17**	3Q'17
Revenue	\$11.2	\$12.6	\$13.7	\$16.0	\$22.7**	\$20.7**	\$18.8
Gross Profit % (non-GAAP)	48%	51.6%	48.6%	53.6%	54.8%	54.4%	54.9%
EPS (non-GAAP)	(\$0.14)	(\$0.03)	(\$0.02)	\$0.04	\$0.12	\$0.10	\$0.03
EBITDA (non-GAAP)	(\$2.9)	\$0.3	\$0.7	\$2.1	\$5.0	\$4.7	\$2.3

*1Q'16 Results included a restructuring charge of \$4.3M or \$0.15 per share.

**1Q'17 & 2Q'17 Results included approximately \$9.2M and 5.1M of EOL revenue, respectively.

Balance Sheet

	Q4'16 A	Q1'17 A	Q2'17 A	Q3'17 A
Assets				
Cash and Investments	\$19,622	\$19,642	\$32,246	\$26,329
Accounts Receivable	3,118	9,608	5,676	5,084
Inventories	2,803	2,478	1,954	5,058
Property, Plant & Equipment	3,793	5,528	4,636	6,271
Goodwill	-	-	-	18,021
Acquired Intangibles	-	-	-	6,414
Prepaid Expenses & Other Assets	1,521	6,017	2,122	3,303
Total Assets	\$30,857	\$43,272	\$46,633	\$70,479
Liabilities				
Accounts Payable	\$1,734	\$1,225	\$2,516	\$2,611
Other Liabilities	8,054	15,427	14,268	18,425
Income Taxes Payable	2,020	2,304	3,035	2,986
Debt	-	-	-	5,761
Shareholders Equity	19,049	24,316	26,814	40,697
Total Liabilities & Shareholders' Equity	\$30,857	\$43,272	\$46,633	\$70,479

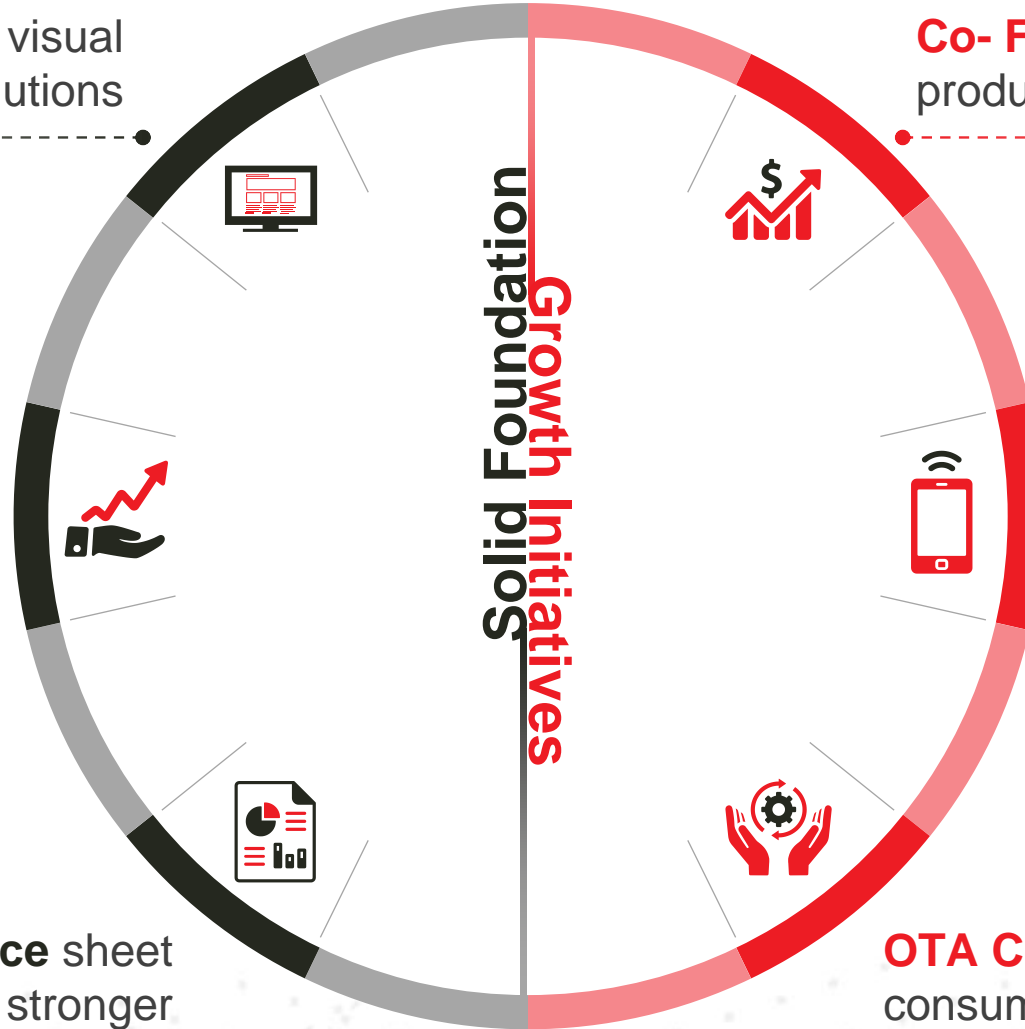
Foundation for Growth & Profitability

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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 Cordcutter Initiative for consumer Video Delivery markets

THANK YOU

