

# Corporate Overview

March 2024

**pixelworks®**

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# 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, 2022 and subsequent SEC filings.

Financial results and financial outlook data provided in the 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.

Presented data related market share and size as well as consolidated analyst projections reflect the estimates and opinions of the respective third-parties, and any such information should not be assumed as verified or specifically endorsed by Pixelworks, Inc.

# Pixelworks At-a-glance

## Industry-leading video and display Semiconductors & Software

### Growing Mobile Business

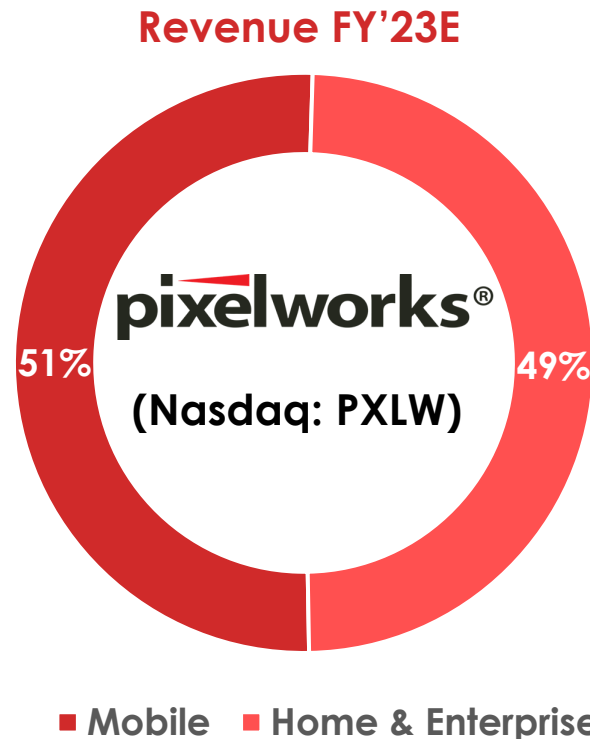
- Supplier to Tier-one OEMs in China
- 33% Mobile revenue growth in FY'23
- Expect increased unit volumes and ASPs in 2024

### Commercializing TrueCut Motion™

- Platform for cinematic video
- Traction with industry-leading ecosystem partners and customers

### Market Leading Projector Business

- #1 market share in 3LCD projectors
- Mature cash-generating business



### Executing on path to profitability

- 30%+ projected revenue growth in FY'24
- Gross margin Expansion
- Closely managed OpEx

### Shanghai-based subsidiary

- Valued at +\$500M<sup>1</sup>
- Pixelworks, Inc. holds 78.2% equity

### Strong Balance Sheet<sup>2</sup>

- \$47.5M cash | no debt

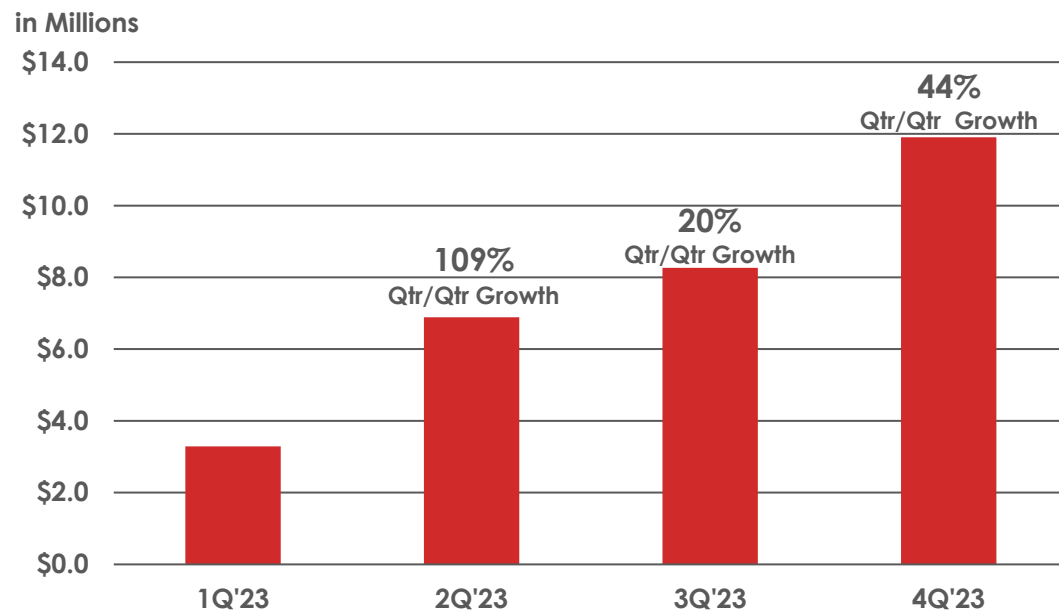
# Mobile Achieving Significant Growth

## Momentum paving the way for continued growth

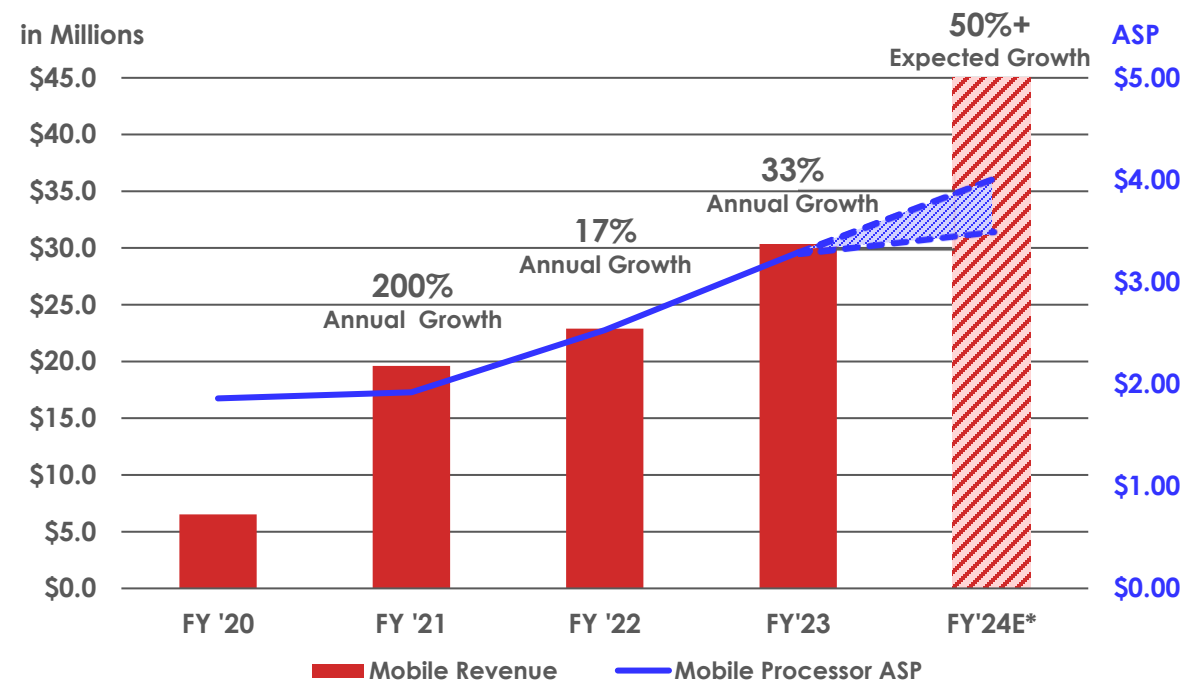
- Shipping to top 4 tier-one smartphone OEMs in China
- Aggressive technology roadmap and new product introductions
- Launched IRX Gaming Experience brand and certification program



### Mobile Revenue | Quarterly Trend



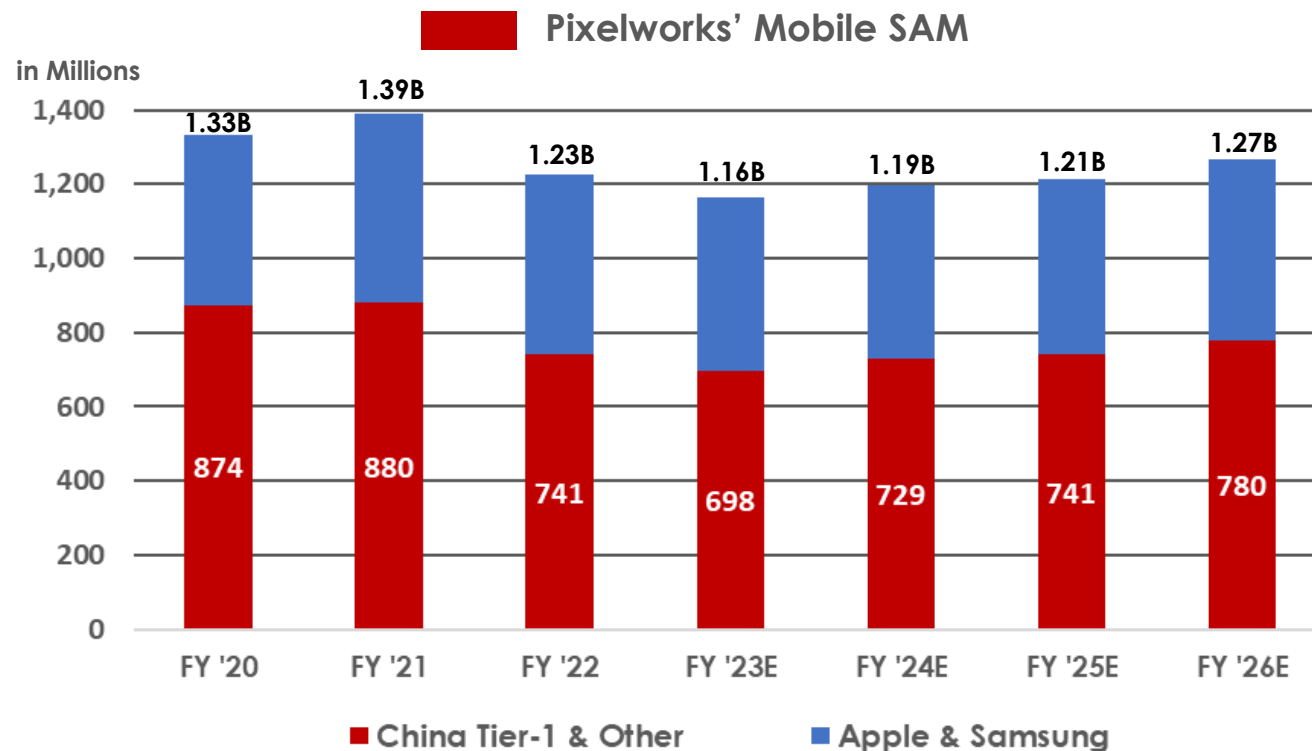
### Mobile Revenue & ASP | Annual Trend



# Mobile Market Opportunity

## Smartphone Cycle Shifting from Headwind to Tailwind

### Global Smartphone Unit Shipments



Source: Counterpoint, Jefferies and Company estimates

### Mobile Market Dynamics & Growth

- ▶ Growing need for high-end visual processing in smartphones
- ▶ Maintained strong yr/yr growth through market downcycle
- ▶ Total market and SAM projected to resume yr/yr growth in 2024
- ▶ Targeting DWs on China Tier-1 international models to further penetrate potential SAM
- ▶ Expect continued yr/yr revenue growth from combination of increased unit volumes and ASPs



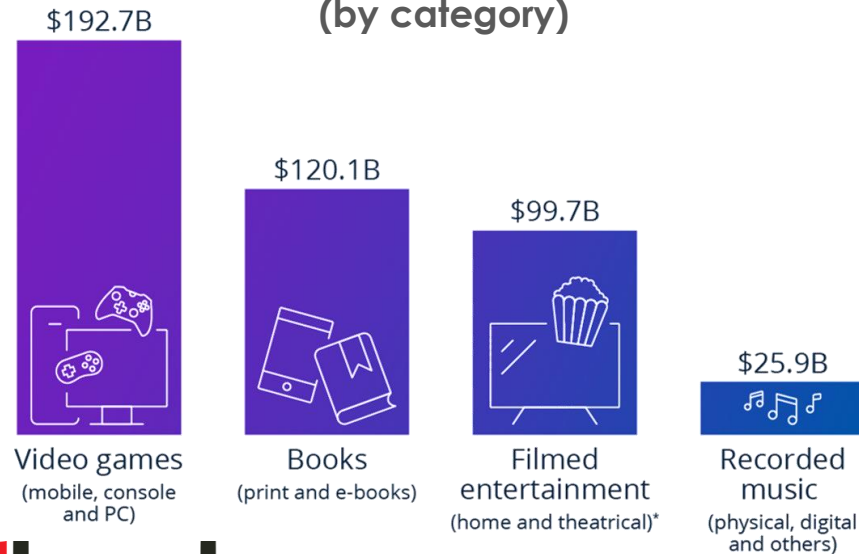
# Mobile Gaming Driving Accelerated Adoption

## Mobile Gaming Challenge = Huge Opportunity for Pixelworks

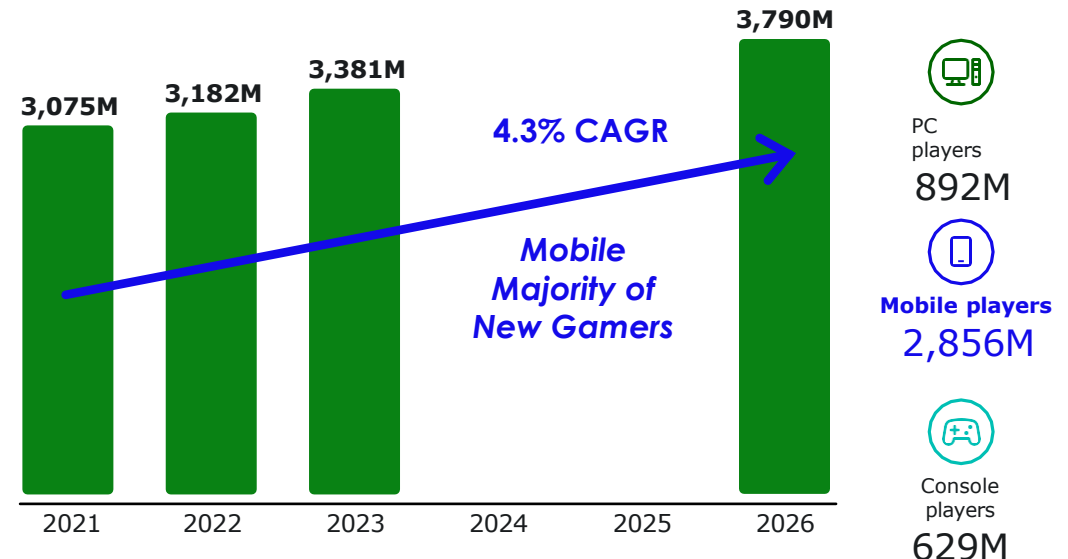
- ▶ PC-grade AAA/Cinematic games are being deployed for smartphones
  - Higher frame rate, resolution, photorealistic, picture quality
  - Multiplayer games require low/no latency
- ▶ Cost, size and power limits rendering capabilities in smartphone
  - Sophistication of mobile games exceeds native processing capabilities
  - Battery life and thermal challenges difficult to overcome



## Estimated Global Entertainment Revenue (by category)



## Global Gamers Forecast



# Pixelworks IRX Gaming Experience

## Ecosystem approach to solving Mobile Gaming Challenges

- ▶ Pixelworks visual processors enhance rendering capability and reduce processing load on smartphone application processor (AP)
- ▶ Pixelworks **IRX** (Image Rendering Xcelerator) enables otherwise impossible visual performance and battery life for popular mobile games

### Collaboration with Gaming Ecosystem Leaders

#### Gaming Studio Partners



#### Gaming Engines



### First IRX Certified Smartphones

OnePlus Ace 2 Pro



Aug 14, 2023

Xiaomi Redmi K60 Ultra



Aug 16, 2023

realme GT5



Aug 28, 2023

OnePlus 12



Dec 5, 2023

HONOR 90 GT



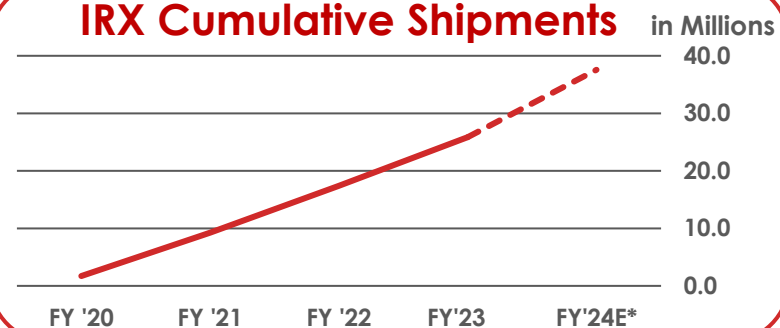
Dec 21, 2023

OnePlus Ace 3



Jan 4, 2024

### IRX Cumulative Shipments



# TrueCut Motion™ Cinematic High-Frame-Rate

Revolutionizing Motion Pictures with Industry-First "Motion Grading" Technology

TrueCut Motion Delivers picture-perfect motion with the advantages of high-frame-rate, while retaining the cinematic look of 24 frames per second...



... from  
Premium Large Format Cinema



... to  
The Home



# TrueCut Motion™ Platform

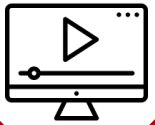
Award-winning, end-to-end platform provides filmmakers “Motion Grading” capability to create and deliver visually stunning motion, scene by scene, to any screen



## Content Creators

- Filmmakers and post-production studios

- Motion grading of new titles or episodic series
- Remastering services on existing content libraries



## Distribution & Delivery

- content and streaming providers

- Licensing of content distribution rights



## Premium Displays

- Theaters, TVs, mobile & headsets

- Licensing/royalties for playback on certified devices



“We have been working with Pixelworks’ TrueCut Motion platform to remaster AVATAR and TITANIC in high frame rate, while keeping the cinematic look of the original.”

— **James Cameron**, Lightstorm Entertainment

# Home and Enterprise

**Digital Projector is cashflow positive business that funds growth areas**

## Home & Enterprise (~\$30M Revenue in FY'23)

- ▶ Expect single digit revenue growth in 2024
- ▶ Targeting ~10% year-over-year growth in 2025

## Projector Business (majority of revenue)

- ▶ >90% market share in 3LCD projectors, which are roughly half of digital projector shipments globally
- ▶ High-margin with long products life cycles
- ▶ Extensive order lead-times from OEM customers
- ▶ Completed latest co-development agreement with largest customer on new SoC in 2H '23
- ▶ New SoC will begin ramping in 2024 and secures current market position for at least the next several years



## Projector Applications

- ▶ Enterprise
- ▶ Education
- ▶ Home Theater
- ▶ Large Venue



## Tier-1 Projector OEM Customers

**EPSON** **HITACHI** **NEC** **Panasonic** **SHARP** **SONY**

# Pixelworks' Shanghai subsidiary

**Aligned to Capture Growth and Unlock Strategic Value in Asia**

## Structure and Benefits

- ▶ Completed structural transform of Pixelworks' Shanghai subsidiary ("PWSH") from R&D center to Profit center with the IP necessary to support all chip/IC sales across both the Mobile and Home & Enterprise end markets
- ▶ Direct equity ownership by employees enhances ability to attract and retain key talent
- ▶ Access to new sources of growth capital aligned with strategic relationships, plus opens adjacent market opportunities
- ▶ Pixelworks, Inc. continues to operate TrueCut from global HQ in U.S.

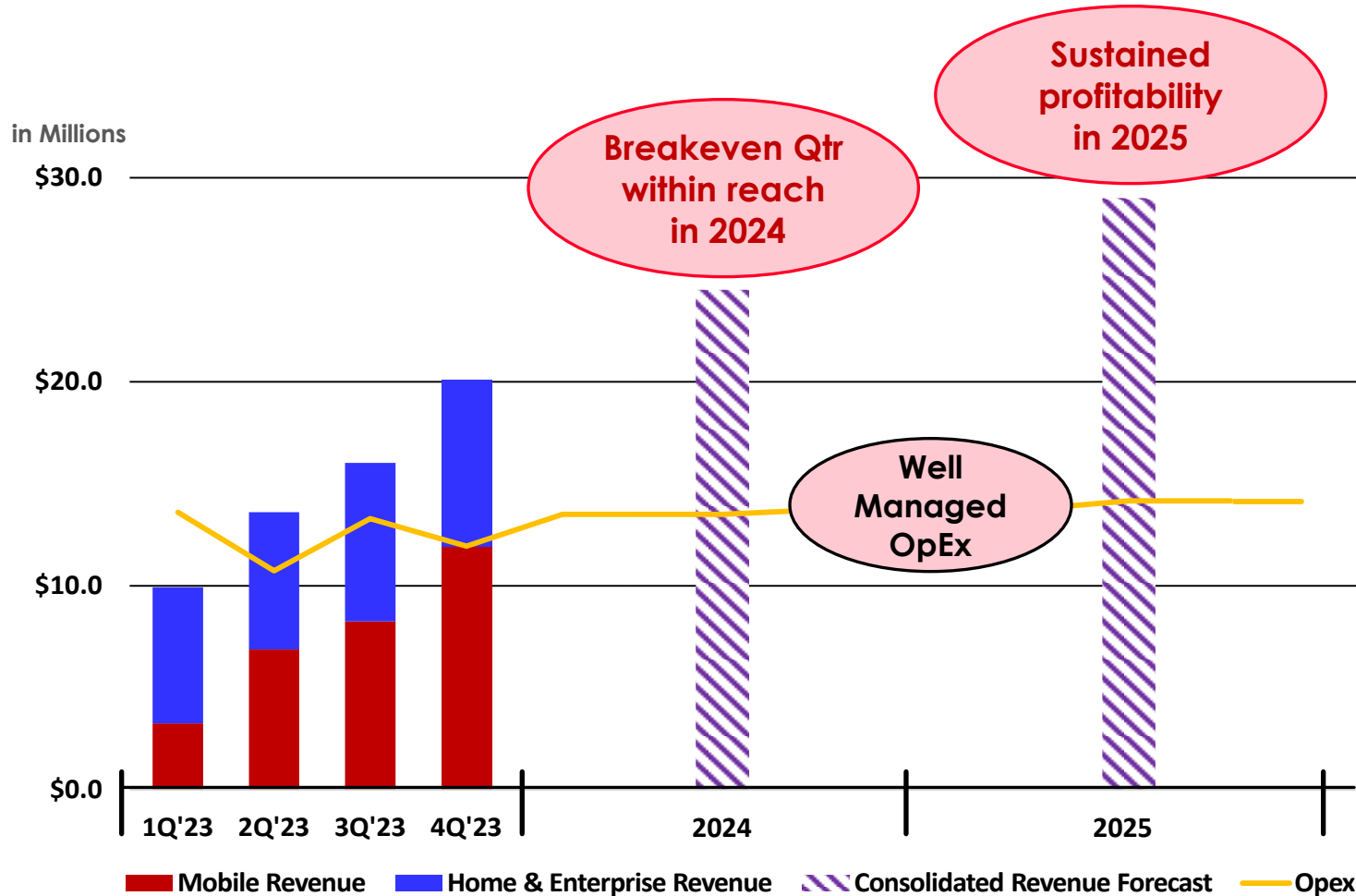
## PWSH Valuation and IPO Status

- ▶ Most recent investment in PWSH by China-based private equity and strategics valued subsidiary at approximately **\$500M USD**, equivalent to approximately **\$6.50** per PXLW share
- ▶ Pixelworks, Inc. continues to hold an 78.2% equity interest in PWSH
- ▶ Completed vast majority of the work needed to file an IPO application
- ▶ PWSH subsidiary prepared to apply for IPO listing on the STAR Market in China when market conditions support

***Pixelworks, Inc. remains committed to maintaining global headquarters in the U.S. and PXLW listing on the Nasdaq Global Market***

# Path to Profitability | Growth & Margin Expansion

Target breakeven at \$24-26 million quarterly revenue



## Executing on Key Drivers

- ▶ Continued robust yr/yr growth in Mobile
- ▶ Initial revenue contribution from TrueCut Motion
- ▶ Expand corp. gross margin toward historical 50%+
- ▶ Limited incremental OpEx

### Projected Qtr Revenue Ranges to Achieve Profitability

**Mobile:** \$13-16M

**Home & Enterprise:** \$8-10M

**TrueCut Motion:** \$1-2M

# Execution on Strategic Objectives

Metrics/Milestones	2H 2023 Progress/Proof Points
Drive continued growth in Mobile	<ul style="list-style-type: none"> <li>✓ Launched latest X7 Gen 2 mobile visual processor</li> <li>✓ 2H'23 mobile revenue increased <b>over 100%</b> yr/yr</li> <li>✓ Expect continued margin and ASP expansion in 2024</li> </ul>
Build-out of mobile gaming ecosystem	<ul style="list-style-type: none"> <li>✓ Launched Pixelworks <b>IRX Gaming branding</b> and certification</li> <li>✓ Hosted inaugural Mobile Visual Computing event in China</li> <li>✓ Announced <b>5 IRX certified mobile games</b> with leading studios</li> </ul>
TrueCut Motion engagement/adoption	<ul style="list-style-type: none"> <li>✓ Late-stage discussions with multiple ecosystem partners</li> <li>✓ Multi-year agreement with Walt Disney Studios in Jan. '24</li> </ul>
Achieve breakeven, then profitability	<ul style="list-style-type: none"> <li>✓ Formalized goal and outlined path to sustained profitability</li> <li>✓ Record mobile quarter with <b>\$20M consolidated revenue</b> in 4Q'23</li> <li>✓ Increased gross margin by <b>170 basis points</b> sequentially in 4Q'23</li> <li>✓ Expect continued sequential margin expansion in 1Q'24</li> </ul>
Unlock value of Shanghai subsidiary	<ul style="list-style-type: none"> <li>✓ Completed substantially all preparation required for subsidiary to file IPO application in China</li> </ul>

High-Growth  
Mobile

Mkt Leader  
Projector

Innovative  
TrueCut Motion

Highly-Valued  
China subsidiary

Strong  
Balance Sheet

Path to Sustained  
Profitability



# Non-GAAP P&L Trend

	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	Q1 '24 Outlook*
Revenue	\$16,888	\$9,966	\$13,605	\$16,032	\$20,074	\$15.0M - \$17.0M
Gross Margin (1)	8,995	4,391	5,506	6,903	8,998	
Gross Margin %	53.3%	44.1%	40.5%	43.1%	44.8%	51% - 53%
R&D (2)	5,839	8,175	5,980	8,300	6,557	
SG&A (3)	5,004	5,421	4,758	4,997	5,450	
Total Opex	10,843	13,596	10,738	13,297	12,007	\$12.5M - \$13.5M
Income/(Loss) from Operations	(1,848)	(9,205)	(5,232)	(6,394)	(3,009)	
Other Income	272	671	473	471	435	
Tax Provision	(1,132)	34	126	158	39	
Net Income Attributable to Non Controlling Interest	327	(338)	(107)	(334)	12	
Net Income/(Loss)	(771)	(8,230)	(4,778)	(5,747)	(2,625)	
EBITDA	(1,008)	(7,786)	(4,048)	(5,007)	(1,945)	
Net Income/(Loss) per share	(\$0.01)	(\$0.15)	(\$0.09)	(\$0.10)	(\$0.05)	(\$0.10) - (\$0.06)
Weighted Shares Basic/Dilutive	54,974	55,720	55,917	56,410	56,895	
GAAP/Non-GAAP Reconciliation	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	
(1) Excludes:						
Stock-based compensation	21	24	22	21	22	
(2) Excludes:						
Stock-based compensation	556	491	527	452	396	
(3) Excludes:						
Stock-based compensation	583	651	710	779	701	

# Balance Sheet Trend

	Q4 '22	Q3 '23	Q4 '23
<b>Assets</b>			
Cash and Investments	\$56,821	\$50,318	\$47,544
Accounts Receivable	10,047	10,165	10,075
Inventories	1,760	5,905	3,968
Property, Plant & Equipment	4,632	6,562	5,997
Operating Lease Assets	3,331	5,365	4,725
Goodwill	18,407	18,407	18,407
Prepaid Expenses & Other Assets	7,325	4,452	5,253
<b>Total Assets</b>	<b>\$102,323</b>	<b>\$101,174</b>	<b>\$95,969</b>
<b>Liabilities</b>			
Accounts Payable	\$3,143	\$4,356	\$2,416
Accrued Payroll Liabilities	3,632	3,938	4,286
Operating Lease Liabilities	3,539	5,466	4,948
Other Accrued Liabilities	18,368	18,714	16,926
Income Taxes Payable	1,391	1,089	2,381
Redeemable Non-Controlling Interest	28,919	27,398	28,214
Shareholders Equity	32,422	16,227	12,541
Non-Controlling Interest	10,909	23,986	24,257
<b>Total liabilities, redeemable non-controlling interest and shareholders' equity</b>	<b>\$102,323</b>	<b>\$101,174</b>	<b>\$95,969</b>

A man is shown in profile, blowing a large, intricate smoke ring from a pipe. The smoke ring is composed of white, blue, and orange smoke, creating a complex, swirling pattern. The background is dark, with a large plume of red smoke rising from the bottom left. The overall mood is artistic and dramatic.

# Thank You

**pixelworks®**