



CORPORATE OVERVIEW

September 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 Q2 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

- End-of-life non-strategic products
- Profitability in 4Q'16, 1Q'17, 2Q'17
- \$8M Co-Development Agreement
- Shipping 3rd generation Iris processor
- Closed acquisition of ViXS Systems

Products & Markets

- **SoCs & software for Digital Projectors**
 - 3LCD & DLP
- **Image/visual processors for Mobile**
 - Tablets & Smartphones
- **Video delivery and processing solutions**
 - OTA, UHD Blu-Ray, Infrastructure

Visual Processing & Video Delivery IP

20 Year History
Image and Video Processing
Innovation

Digital
Projectors

Mobile

HD/4K TV

Streaming

Professional
Video

625+ patents across Display Processing and Content Delivery

Fundamental patents for **Visual Displays**

- Scaling and Warping
- Image Processing
- Frame Rate Conversion
- Super Resolution
- 3D Processing
- Display & Projector systems
- Analog Front End
- Circuit Design
- TCON

Broad IP portfolio across **Video Delivery**

- Transcoding
- Adaptive Bit Rate Streaming
- Content Protection
- Video Analytics



Digital Projection: Market Overview

Pixelworks' integrated display processing platforms enable leading OEMs to develop highly differentiated projectors across all market segments



Large Venue
10,000 Lumens
Best image quality



Business
Best value,
Connectivity



Home Theatre
Image enhancement,
Contrast management



Education
Warping,
Interactivity

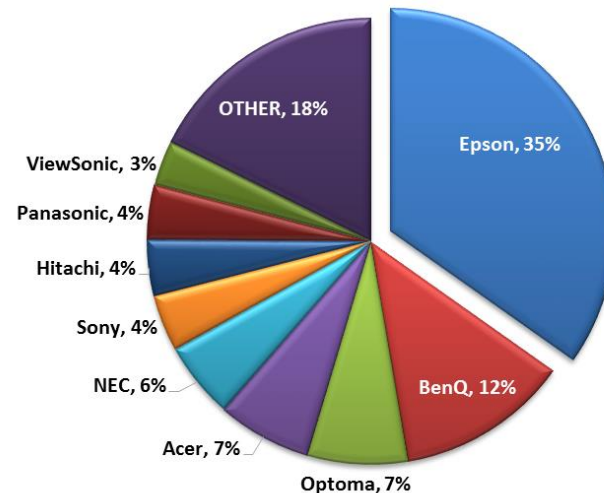
Primary Market Drivers

- Education in emerging markets
- Enterprise in developing markets
- Interactivity applications
- Laser projection

Mature Market

- 8M units annually
- Long product cycles, limited competition

OEM Share of Total Market



Digital Projection: Pixelworks Performance

2016

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

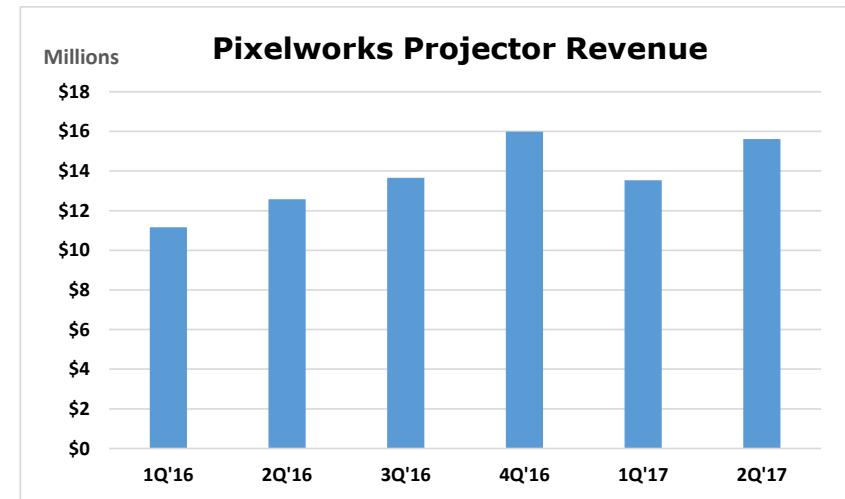


2017 YTD (*Revenue +30% Yr/Yr*)

- 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 and incremental market share gains

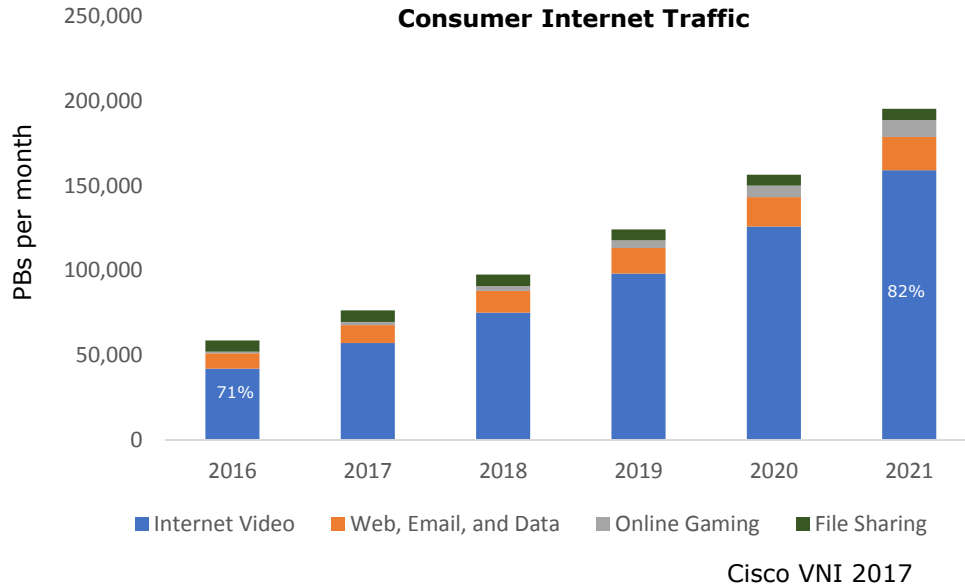


Future Market Opportunities

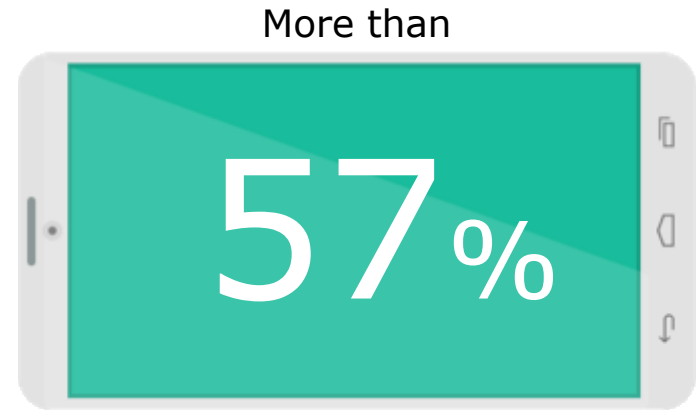
- Pixelshift 4K projection
- Cost reduced mainstream projection
- DLP adjacent markets: MEMC, Keystone

Video Consumption – Driving Need in Mobile

Massive Growth in Internet Video



Video is Mobile Now



of all streaming video views
in Q217 were on **mobile
devices**

Global Video Index, Q217

In 2021...

4x growth in Internet video

9x increase in Mobile video

356% increase since Q313

72% video plays mobile in APAC

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



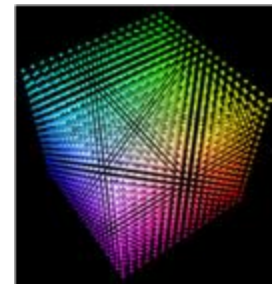
Samsung Galaxy S8



LG G6

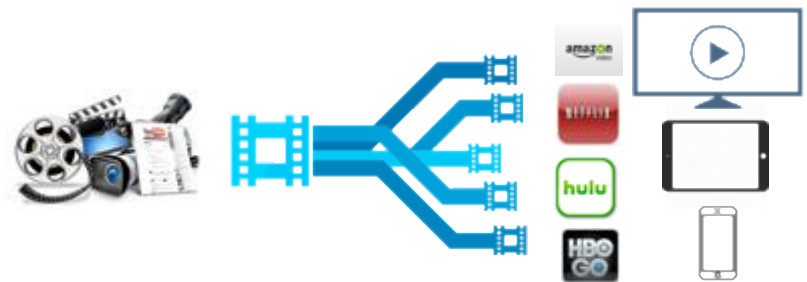
Wide Color Gamut & Accuracy and Auto Adaptability

- 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



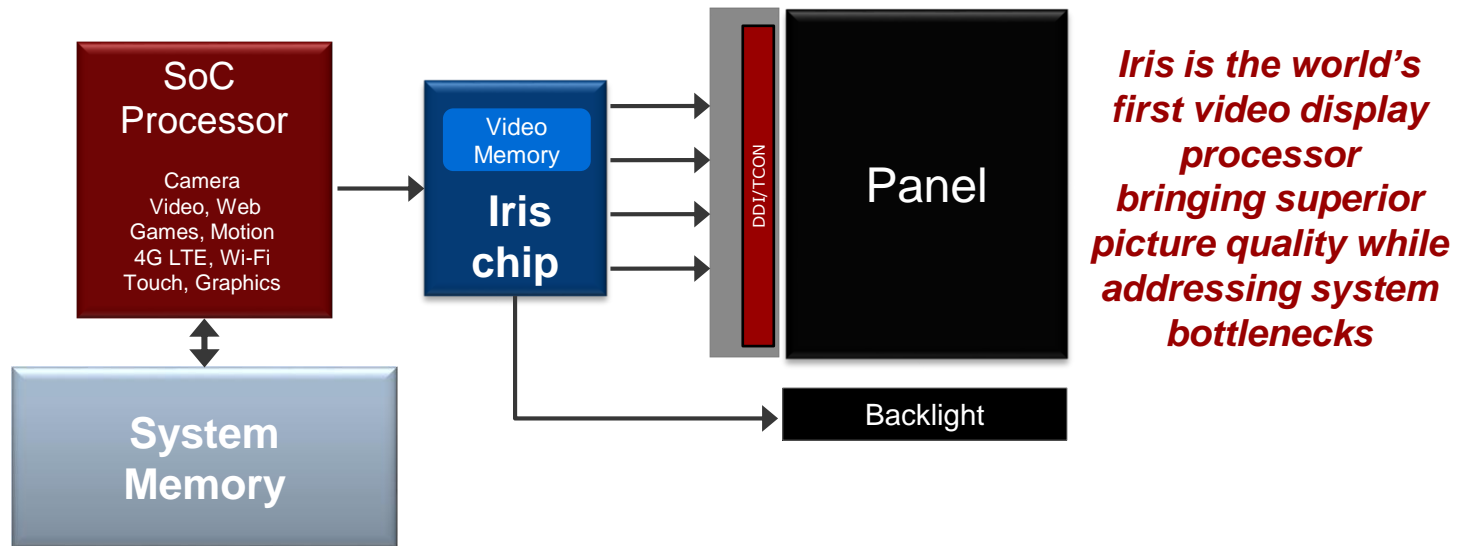
End-to-End Display Processing

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



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

ASUS: Validation of Technology



ASUS **ZenPad™** Z8, Z8S
(exclusively at Verizon Wireless)



ASUS **ZenFone™**
3 Ultra



ASUS **ZenPad™** Z8, Z8S



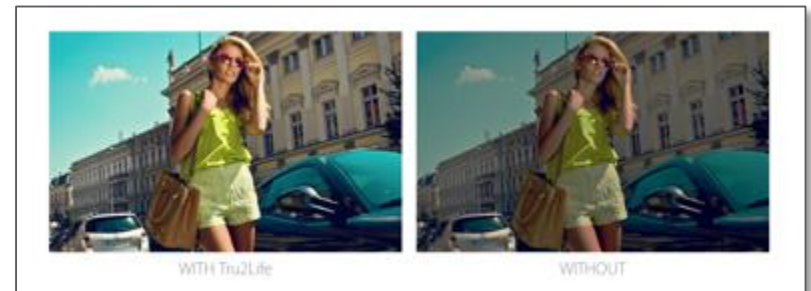
ASUS **ZenPad™** Z10
(exclusively at Verizon Wireless)



Clear, blur-free motion with Tru2Life+

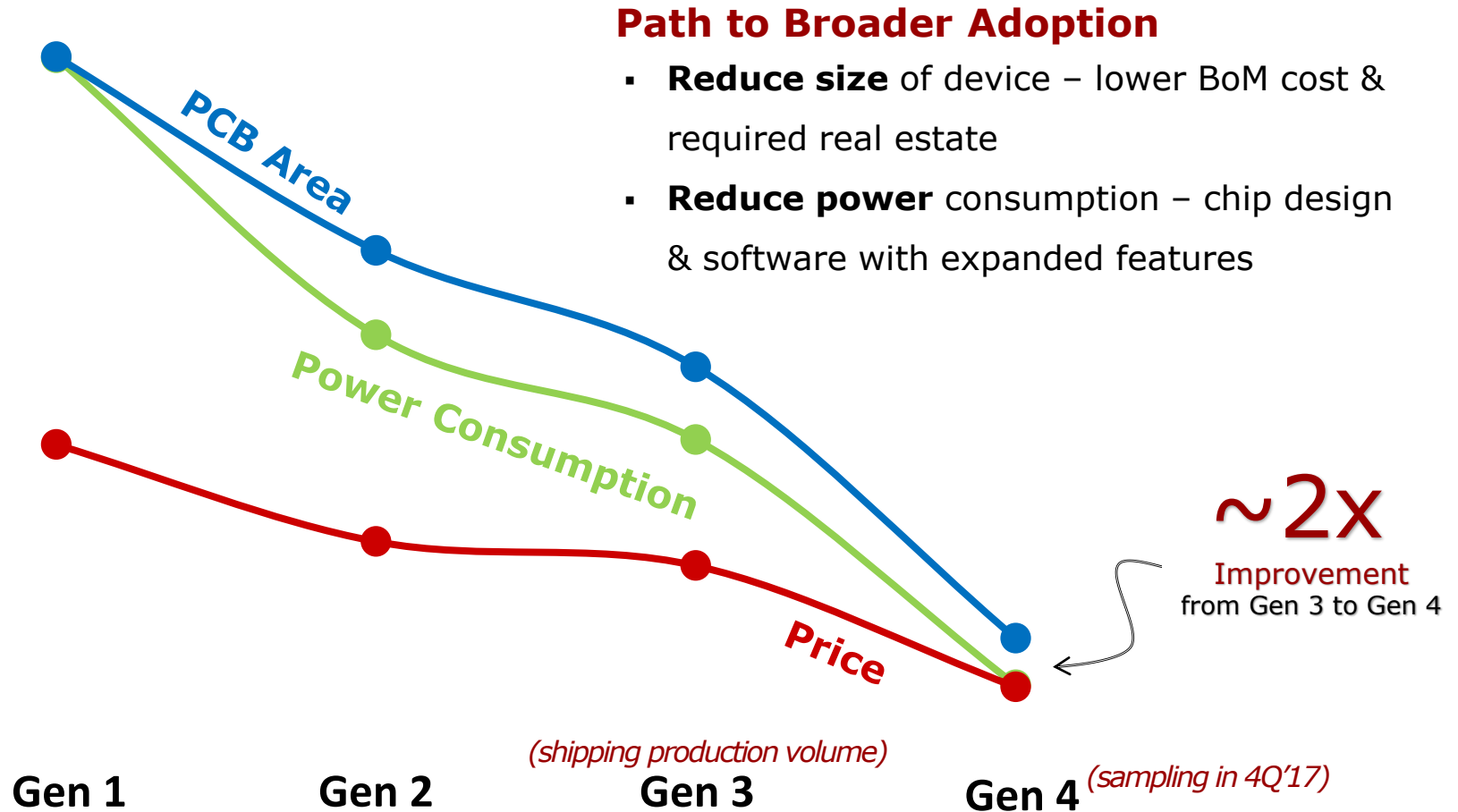


Sharper, lifelike images with sharpness optimization



200% wider contrast levels, enhances every pixel

Iris Progression



Active customer engagements on Gen 3 & Gen 4 devices

ViXS Systems – Unique Opportunity

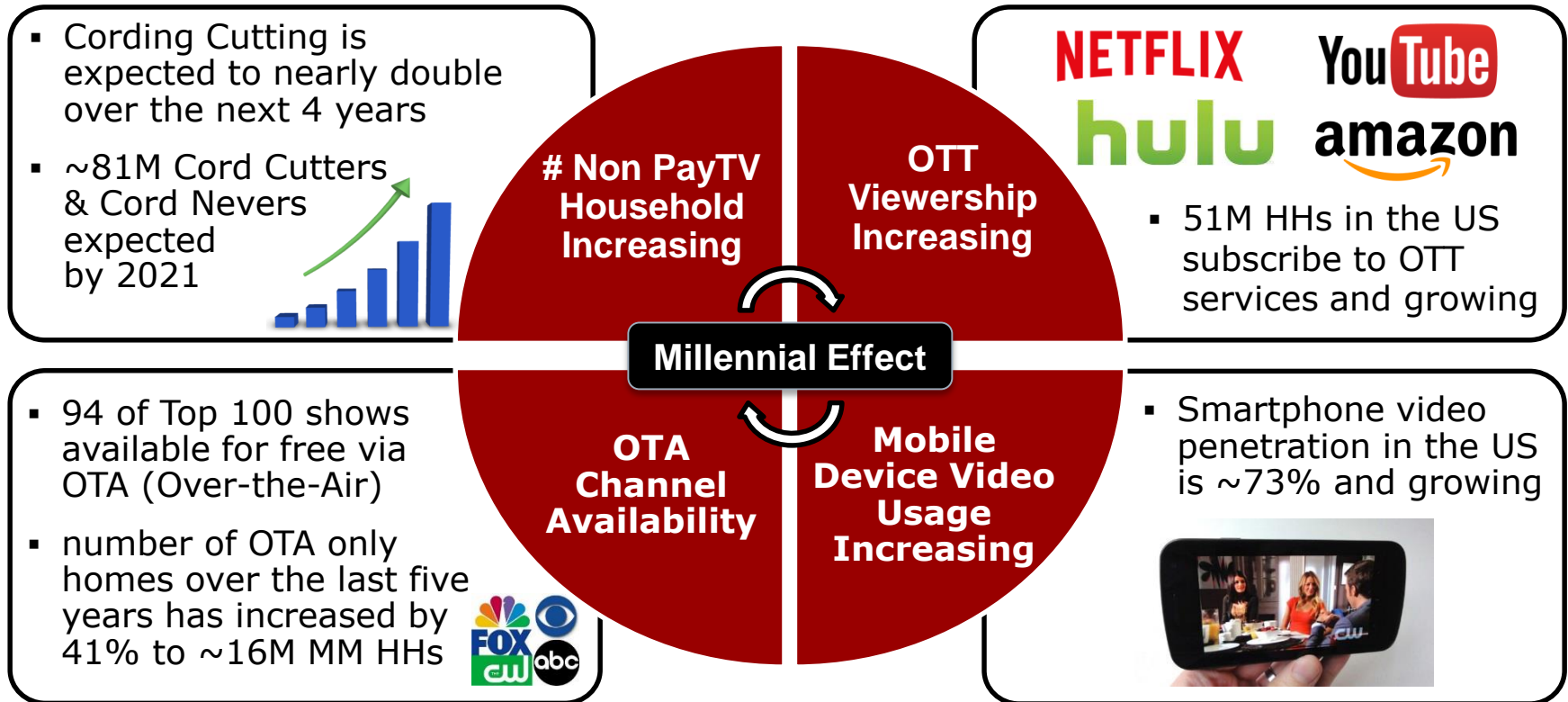
- ViXS is a pioneer and market leader in designing advanced media processing and video delivery solutions
 - Sold legacy MoCA business to MaxLinear for \$5 million in April 2017
- Focused on core video business – over-the-air (OTA) “Cord Cutter”, video over IP (transcoding), and media streaming applications (UHD Blu-Ray)
 - Best-in-class adaptive bit rate video transcoding/compression technology
 - Design wins for UHD/HDR decoder and transcoder products, including with Sharp
 - 12-bit High Dynamic Range (HDR) technology

Transaction Rationale:

- Broadens product offerings with revenue across new adjacent end markets
- Enables incremental R&D to pursue expanded technology development
- Expected to be accretive to Pixelworks’ diluted non-GAAP EPS in FY2018
 - Announced restructuring on Sept 14th as part of integration to realize synergies

Unique opportunity to accelerate development of enhanced visual display products and comprehensive end-to-end video streaming solutions

Growing Global Demand for OTA Products



*"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."*

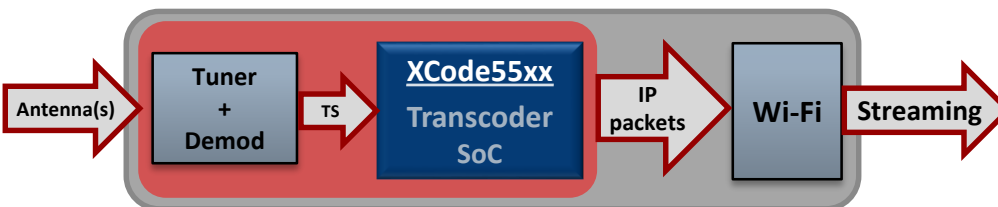
– Rupert Murdoch

OTA – Cord Cutter Solution



Current OTA solutions compatible with all streaming offerings

"Cord Cutter"
reference design



OTA – Free TV Streaming

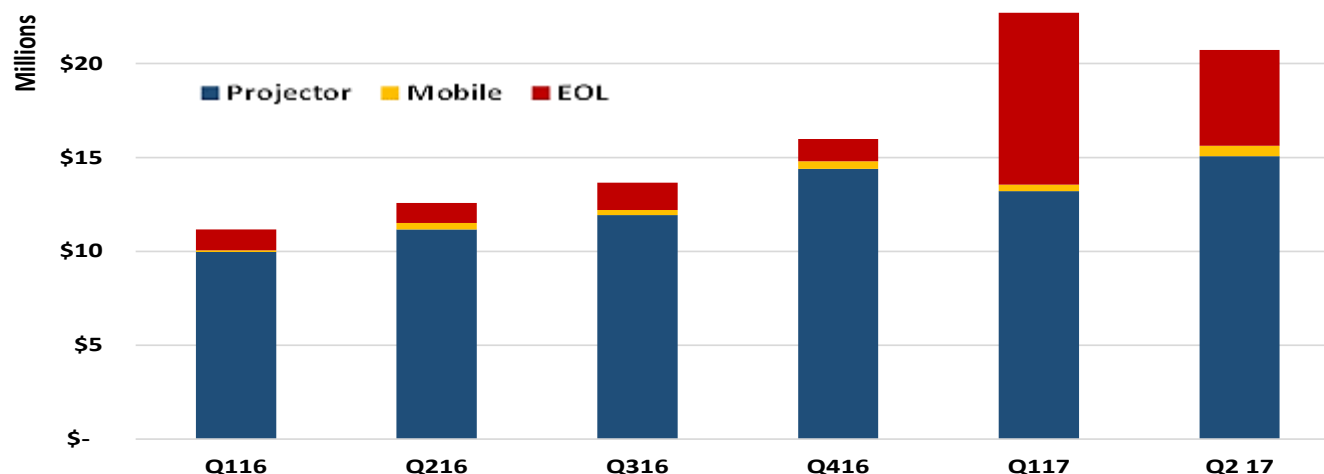




FINANCIAL OVERVIEW

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.

Quarterly Revenue and P&L Trend



In millions, except EPS	1Q'16	2Q'16	3Q'16	4Q1'6	1Q'17	2Q'17	3Q'17†
Total Revenue	\$11.2	\$12.6	\$13.7	\$16.0	\$22.7	\$20.7	\$18–\$19
Revenue without EOL	\$10.1	\$11.5	\$12.2	\$14.8	\$13.5	\$15.6	\$18–\$19
Gross Profit % (GAAP)	32.2%*	51.0%	48.0%	53.2%	54.6%	54.1%	
Gross Profit % (non-GAAP)	48.0%	51.6%	48.6%	53.6%	54.8%	54.4%	54.0%–55.0%
Diluted EPS (GAAP)	(\$0.31)*	(\$0.06)	(\$0.04)	\$0.01	\$0.09	\$0.04	
Diluted EPS (non-GAAP)	(\$0.14)	(\$0.03)	(\$0.02)	\$0.04	\$0.12	\$0.10	(\$0.06)–\$0.01
EBITDA (non-GAAP)	(\$2.9)	\$0.3	\$0.7	\$2.1	\$5.0	\$4.7	

Balance Sheet

In millions	December 31, 2016	June 30, 2017
Cash and Investments	\$19.6	\$32.2
Inventory	\$2.8	\$2.0
Total Current Assets	26.3	\$41.2
Total Assets	30.9	\$46.6
Accrued Liabilities and current portion of long-term liabilities	\$7.9	\$13.2
Total Current Liabilities	\$9.7	\$16.7
Long-term liabilities, net of current portion	0.2	1.0
Total Liabilities	\$11.8	19.8
Shareholders Equity	\$19.1	\$26.8

Investment Highlights

Solid foundation for growth and profitability

- Industry leading technology for visual/video processing and delivery
- Profitable digital projection business with growing market share
 - Executing on co-funded development of product for a leading projector customer
- Strong balance sheet and net cash position
- Closed recent acquisition of ViXS; expected return to profitability in 2018

Executing on multiple growth initiatives

- Driving adoption of TV quality visual performance in Mobile displays
 - Shipping 3rd generation device; sampling 4th generation in 4Q 2017
- Early mover advantage in emerging market for OTA/Cord Cutter devices
 - Shipping in support of several OTA and Ultra-HD players/DVRs design wins
- Engaged with prospective customers/partners across entire video ecosystem

Pixelworks is a pure-play opportunity to participate in rapidly growing demand for high-quality video anywhere, anytime and on any device



THANK YOU