

# Corporate Overview

February 2023

**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, 2021 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

(NASDAQ: PXLW)



## Company Overview

- ▶ Leading provider of the video and display SEMICONDUCTORS & SOFTWARE
- ▶ Over 20-year heritage of display and visual processing innovation
- ▶ Fundamental image processing IP with 315+ issued/pending patents



## Target Markets

- ▶ **Mobile** (smartphone, gaming & tablet)
- ▶ **Cinema** (TrueCut Motion™ content creation, remastering and video streaming)
- ▶ **Home & Enterprise** (broadcast video streaming, recording, projection | business and education)

## Products and Technology

### Semiconductor Hardware

- ▶ Visual processors and AI-enhanced display for mobile devices
- ▶ XCode® transcoders for media players, STB recorders
- ▶ SoCs for digital projectors

### Software and Platform Licensing

- ▶ Pixelworks Pro display processing software for smartphones
- ▶ TrueCut Motion grading, HDR content creation SDK

# Visual Experiences Drive Mobile Value

## Fueled by massive platform and content ecosystems

69% of global mobile traffic is video

93% of gamers play on smartphones



**+3B**

Worldwide  
Mobile Gamers

Smartphone  
(2.5B)

Console  
(0.8B)

PC  
(1.3B)

**~50%**  
are in Asia-Pacific

# Pixelworks Mobile SAM

## Expanding Market Opportunity

### 2020 | ~370Mu SAM

- PXLW technology adopted in phones with MSRPs from \$100 to \$1,400

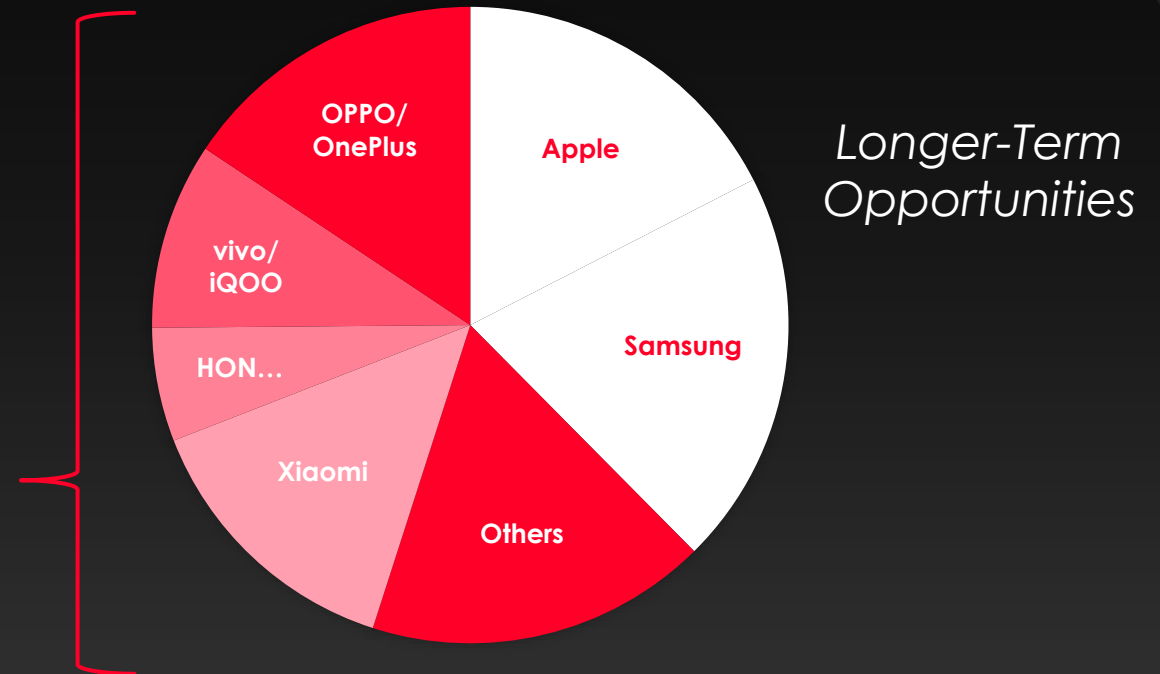
### 2021 | ~400Mu SAM

- PXLW increase in active OEM engagements, new models and unit volume per OEM
- PXLW mobile revenue growth of 200% yr/yr

### 2022 | ~500Mu SAM

- PXLW added HONOR as newest tier-one (fastest growing OEM in China)
- Collaboration with MediaTek, and first smartphones with PXLW on Dimensity platform
- PLXW became Unity VSP; collaborated with ByteDance studio on first mobile game to integrate PXLW 'Rendering Accelerator' SDK
- realme launched first smartphone featuring PXLW next-gen X7 visual processor

### 1,360 Mu TAM in 2021<sup>1</sup> Global Market Share





# Solving the Mobile Gaming Challenge

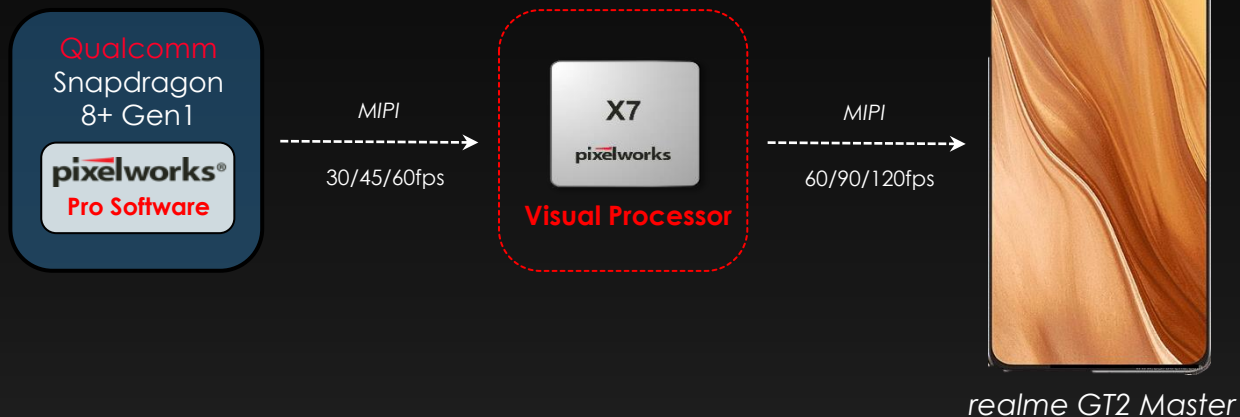
- ▶ PC-grade AAA/Cinematic games are being deployed for smartphones
  - More intensive visual processing, including higher frame rate, resolution, photorealistic, picture quality and responsiveness
- ▶ Cost, size and power limit mobile AP rendering capabilities
  - Not keeping up with sophistication of mobile games
  - Battery life and thermal challenges difficult to overcome
- ▶ Pixelworks visual processors enhance the rendering capability and reduce processing load on leading mobile APs
- ▶ Pixelworks solution created a new “Standalone Visual Processor” market segment for mobile (aka “Distributed Rendering Accelerator”)
  - Enables most popular mobile games to achieve otherwise impossible visual experiences and battery life



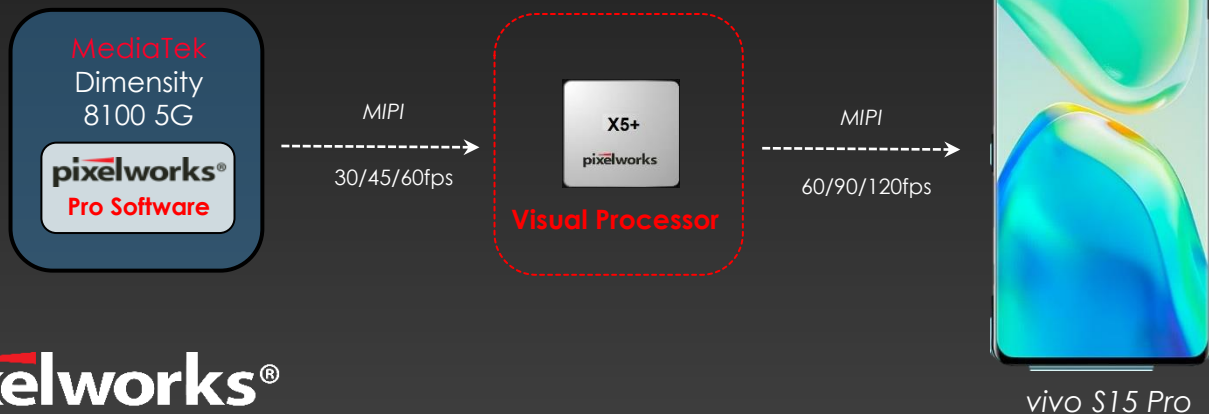
# “Standalone Visual Processor” on Mobile

## Compatible with Mainstream Mobile Platforms

### Qualcomm Example



### MediaTek Example



### realme GT2 Master



First smartphone  
launched with  
X7 visual processor

### Comprehensive Gaming/Visual Enhancements

#### Display Performance

- Smooth HFR
- High Resolution
- Always HDR
- Color Accuracy

#### AP Platform Off-loading

- Lower Power
- Lower Device Temperature
- Longer Battery Life

# Mobile Game Rendering Acceleration

Visual processor + SDK designed for HFR & HDR Mobile Gaming

## X7 with 'Rendering Accelerator' SDK

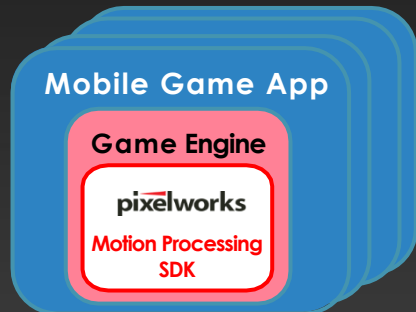
- <10ms Ultra-Low Latency MEMC
- Offload GPU/CPU
- Improved MEMC PQ
- AI SDR-2-HDR
- Up to WQHD+/144Hz



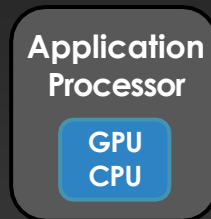
Sustained  
High-Performance  
AAA Gaming

Ultra Smooth High Frame Rate  
Lower Power Super Resolution  
3D Noise Reduction  
Always-immersive HDR  
Reduced Power Consumption

### Motion Info Generation & Transfer

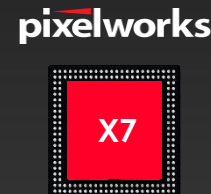


←  
Touch Commands  
→  
Frames Rendered  
→  
Motion Vectors



### Upscaling & Offloading of AP

→  
30-60 fps



→  
90-120 fps



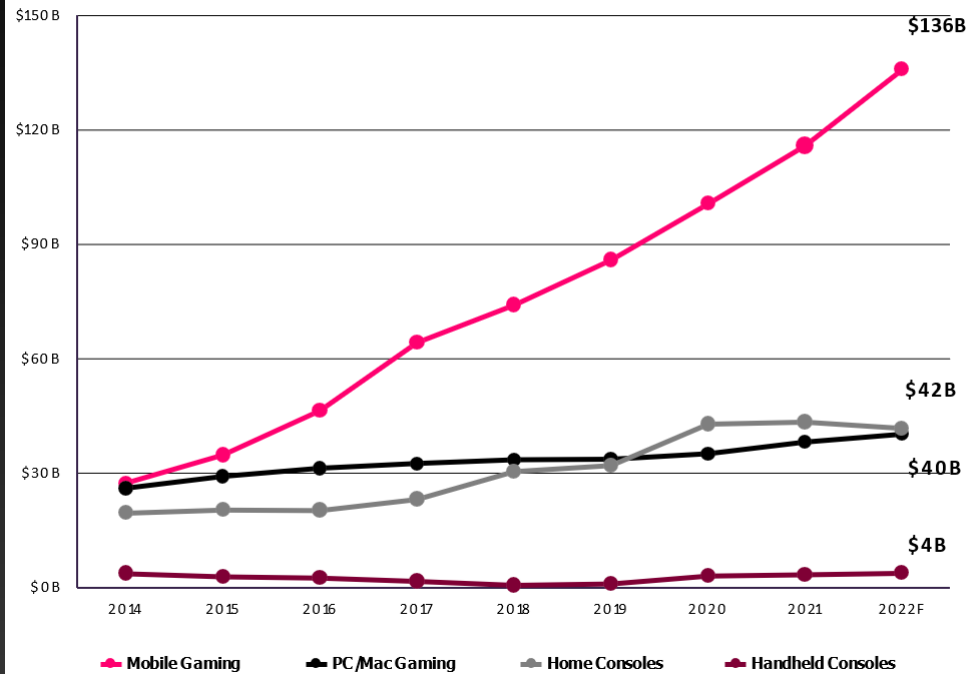


# Mobile Gaming Driving Pursuit of Advanced Display Performance

## 2022 Tier-one Brands Leveraging Pixelworks Visual Processing

Dominant trend influencing smartphone OEMs and the entire gaming ecosystem

Worldwide Consumer Spending on Games  
by Major Device Group



vivo  
iQOO



vivo S15 Pro



iQOO Neo 6 & Neo 7



Neo 7 Racing



iQOO 9 & 9 Pro

oppo  
realme  
1+ ONEPLUS



OPPO Find X5



OPPO Find X5 Pro



OPPO Find X5 Pro Dimensity



realme GT Neo3



realme GT2 Master



OnePlus Ace



OnePlus 10 Pro & 11

HONOR



HONOR Magic4 Pro



HONOR Magic4 Ultimate



HONOR 80 GT

# TrueCut Motion™ End-to-end Cinematic HFR Platform

Driving Ecosystem Development and Revenue Opportunities



**CREATE**



**MASTER**



**DELIVER**



**PLAY**

**Customer/  
Partner**

▶ Production Studios

▶ Post-Production houses

▶ Streaming distribution services

▶ TV  
▶ Mobile  
▶ Cinema

**Engagement**

▶ On-set and dailies tools

▶ Post-production tools

▶ Distribution platform & tools

▶ Playback SDK for streaming apps

**Monetization**

▶ Tools license

▶ Tools license

▶ Distribution license

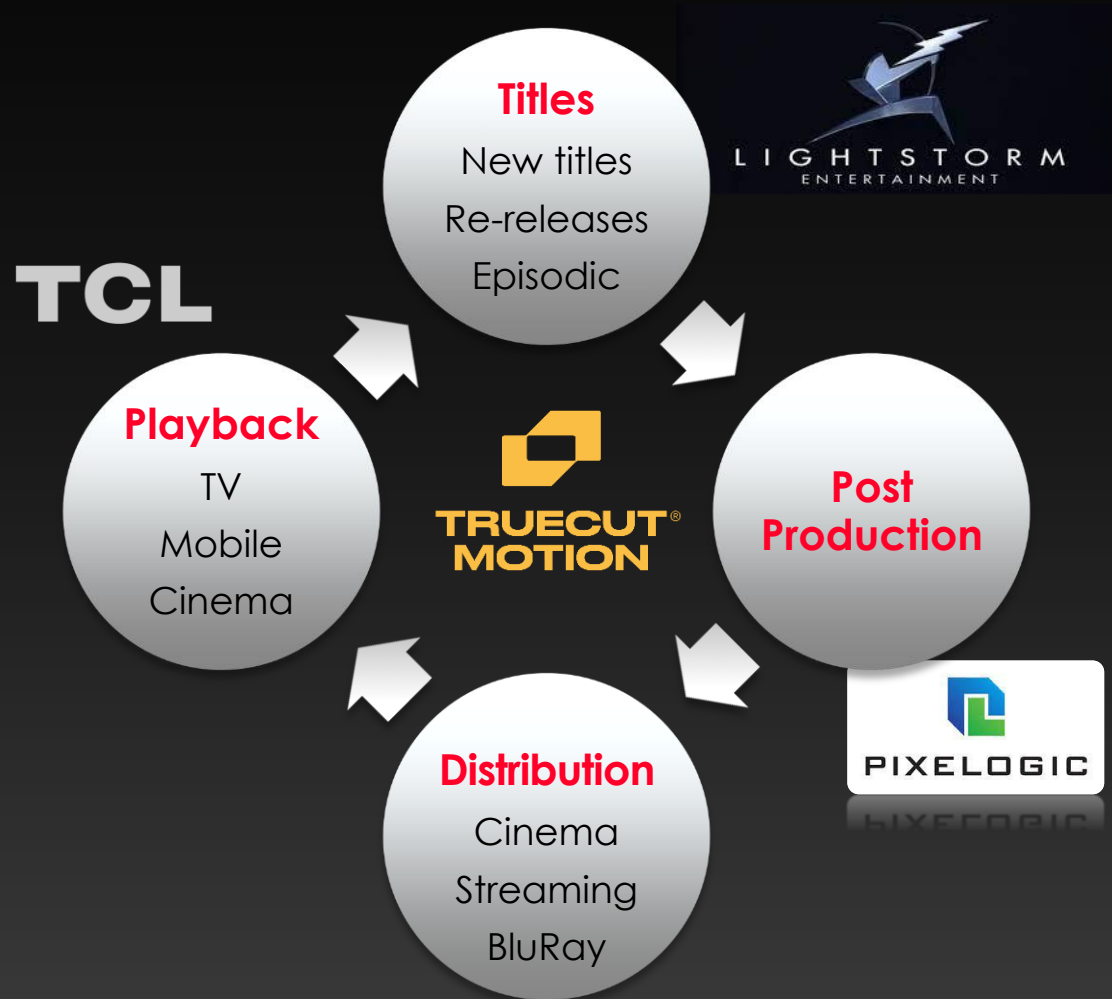
▶ Device playback license

## Strategy

- ▶ Tools licenses kick start ecosystem and original content development
- ▶ One-time streaming distribution licenses provide market validation and visibility
- ▶ The above creates pull-through for larger device (TV) playback license opportunity

# TrueCut Motion™ Platform Development

## Recently Announced Ecosystem Partnerships



**Lightstorm Entertainment** an independent production company founded in 1990 by filmmaker James Cameron

- ▶ “We’re bringing **Avatar** and **Titanic** back to the big screen, looking better in every way. We will be presenting both films in 4K with high dynamic range visuals and have been working with Pixelworks’ TrueCut Motion platform to remaster the films in high frame rate, while keeping the cinematic look of the original.”

-- James Cameron

**TCL®** one of the world's best-selling television brands

- ▶ Announced plan at CES to bring TrueCut® Motion platform to TCL televisions in North America in 2022

**Pixellogic** a provider of content localization and global distribution services for media and entertainment industry

- ▶ Pixellogic to offer certified TrueCut Motion solution as part of its post-production capabilities for theatrical and streaming films and releases

# Home and Enterprise

## Mature business lines fund Mobile & TrueCut growth initiatives

### Projector market

#### Mature Market (#1 mkt share)

- ▶ 8M units annually, long product cycles
- ▶ Market and demand recovery in 2021 and 2022
- ▶ FY 2022 Revenue up +23% yr/yr



#### Business Focus

- ▶ Signed latest co-development agreement with largest customer in Aug '21, new SoC expected to ramp in late 2023
- ▶ Transitioning customer base to newer-generation higher-priced SoC with advanced features

### Japan PVR market

#### Mature Market

- ▶ 2M units annually, long product cycles
- ▶ Requires minimal investment and resources
- ▶ Projected annual revenue ~\$2M in FY 2023



#### Business Focus

- ▶ Support new and existing wins in 4K ADSB (ISDB-S3 standard) compatible PVR converter devices
- ▶ Implemented end-of-life on certain transcoding ICs, which resulted in a one-time increase in video delivery revenue in 4Q 2022

EPSON®



HITACHI

I-O DATA

MASPRO

NEC

Panasonic

SHARP

sling

SONY

TOSHIBA

# Path to China and STAR Market

## Aligned to Capture Accelerated Growth Opportunities in Asia

### Structure, Rationale and Benefits

- ▶ Transform Pixelworks' Shanghai subsidiary ("PWSH") from R&D center to Profit center for Mobile, Projector, and Video Delivery businesses
- ▶ 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 continues to operate TrueCut and other licensing businesses from global HQ in U.S.

### Status

- ▶ Pixelworks, Inc. continues to hold an **78.2%** equity interest in PWSH
- ▶ PWSH subsidiary on track to apply for IPO listing on the STAR Market in China in 2023

### Subsidiary Financing Activity

#### August 2021

- ▶ Investments in PWSH (10.45% equity interest), private equity and strategics in China
  - RMB equivalent of ~**\$30.8M** (pre-money valuation of ~**\$246.8M**)
  - MTM, Verisilicon, Canaan, and Chipone Technology
- ▶ Investments in PWSH (5.95% equity interest) by ESOP (75% participation)
  - RMB equivalent of ~**\$12.3M** (pre-money valuation of ~**\$172.7M**)

#### August/September 2022

- ▶ Investments in PWSH (2.73% equity interest), new private equity investors in China
  - RMB equivalent of ~**\$11.3M** net (pre-money valuation of ~**\$471.5M**)

#### December 2022

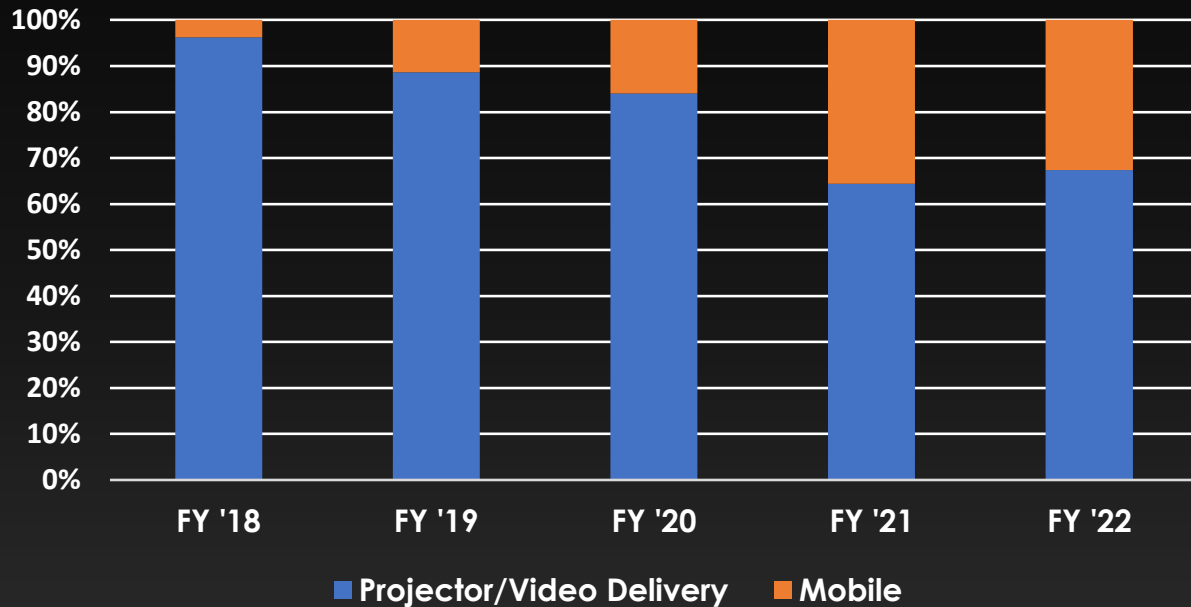
- ▶ Investments in PWSH (2.76% equity interest), private equity and strategics in China
  - RMB equivalent of ~**\$14.3M** (pre-money valuation of ~**\$501.4M**)
- ▶ Investments in PWSH (0.54% equity interest)
  - RMB equivalent of ~**\$1.4M** (pre-money valuation of ~**\$250.7M**)

**Remain committed to maintaining global headquarters in the U.S. and  
PXLW listing on the Nasdaq Global Market**



# Overall Revenue Trend by Segment

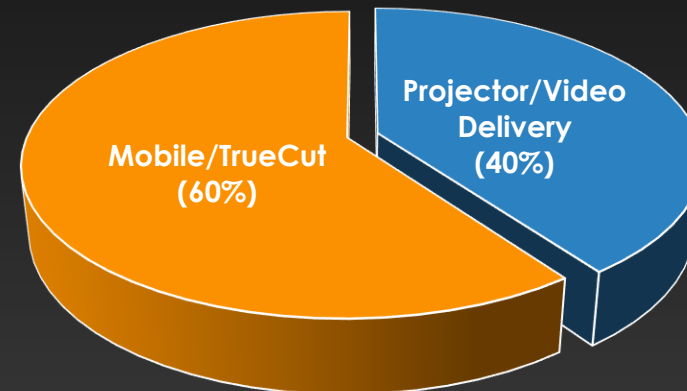
## Historical Revenue Mix



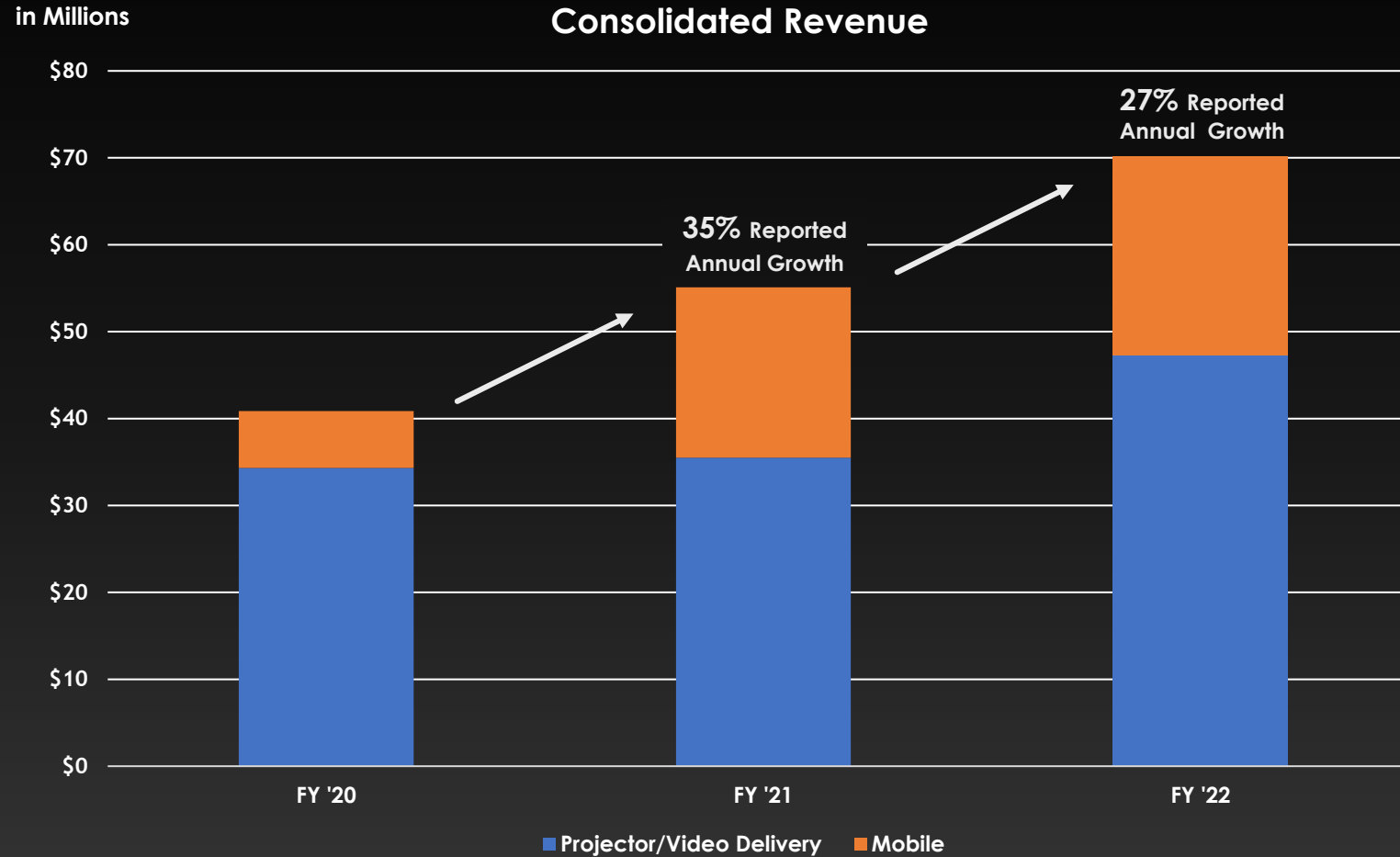
**Mobile growth contributing increased portion of total revenue mix:**

- ▶ 33% of total revenue in FY 2022

## Target Revenue Mix at Scale (at \$100M Annual Run Rate)



# Annual Revenue Growth



# Non-GAAP P&L Trend

	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
Revenue	\$16,589	\$16,628	\$19,078	\$17,552	\$16,888
Gross Margin (1)	9,117	8,843	9,407	8,749	8,995
Gross Margin %	55.0%	53.2%	49.3%	49.8%	53.3%
R&D (2)	6,379	6,577	7,874	7,880	5,839
SG&A (3)	4,605	5,008	5,035	4,306	5,004
Total Opex	10,984	11,585	12,909	12,186	10,843
Income/(Loss) from Operations	(1,867)	(2,742)	(3,502)	(3,437)	(1,848)
Other Income	165	162	101	165	272
Tax Provision	(457)	406	(87)	(71)	(1,132)
Net Income Attributable to Non Controlling Interest	194	470	-	-	327
Net Income/(Loss)	(1,439)	(3,456)	(3,314)	(3,201)	(771)
EBITDA	(1,097)	(2,172)	(2,376)	(2,113)	(1,008)
Net Income/(Loss) per share	(\$0.03)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.01)
Weighted Shares Basic/Dilutive	53,293	53,680	54,120	54,826	54,974

# Balance Sheet Trend

	Q4 21	Q4 22
<b>Assets</b>		
Cash and Investments	\$61,587	\$56,821
Accounts Receivable	8,708	10,047
Inventories	1,469	1,760
Property, Plant & Equipment	5,656	4,632
Operating Lease Assets	4,789	3,331
Goodwill	18,407	18,407
Acquired Intangibles	90	-
Prepaid Expenses & Other Assets	5,895	7,325
<b>Total Assets</b>	<b>\$106,600</b>	<b>\$102,323</b>
<b>Liabilities</b>		
Accounts Payable	\$2,747	\$3,143
Accrued Payroll Liabilities	3,490	3,632
Operating Lease Liabilities	5,292	3,539
Other Accrued Liabilities	20,870	18,368
Income Taxes Payable	3,075	1,391
Redeemable Non-Controlling Interest	30,905	28,919
Shareholders Equity	40,221	32,422
Non-Controlling Interest	-	10,909
<b>Total liabilities, redeemable non-controlling interest and shareholders' equity</b>	<b>\$106,600</b>	<b>\$102,323</b>

► Cash and Investments balance as of December 31, 2022 does not include the proceeds from the most recent Strategic Investment in PWSH, which was fully closed and funded in February 2023

► Redeemable Non-Controlling Interest is related to capital raised from strategic investors by Pixelworks Shanghai subsidiary

# GAAP/Non-GAAP Reconciliation

	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22
(1) Excludes:					
Amortization of acquired intangible assets	218	72	-	-	-
Stock-based compensation	26	8	59	(47)	21
(2) Excludes stock-based compensation	622	583	647	565	556
(3) Excludes:					
Stock-based compensation	940	458	989	776	583
Amortization of acquired intangible assets	53	18	-	-	-





# Thank You

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**pixelworks®**