

# Corporate Overview

May 2018





# 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, 2017 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 2018 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

- › 4th gen Iris processor released for production
- › Continue to gain market share in Projectors
- › ViXS integration complete
- › GPM over 54% in Q1
- › Achieved breakeven EPS in Q1

## 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

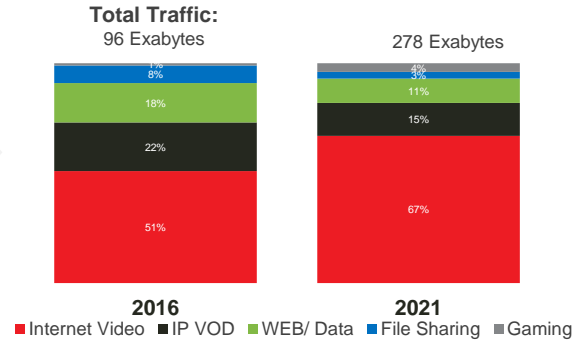


# Pixelworks' Opportunities in the New Video Ecosystem

## Video Content Exploding

### Global IP Traffic

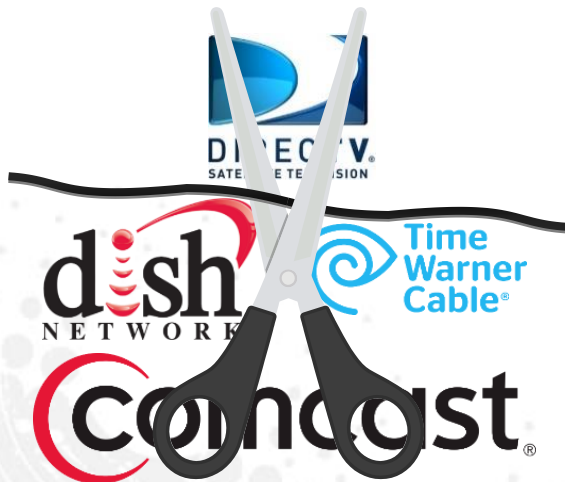
BY 2020, video on the internet will eat up a bigger share of increased web traffic



Source: Cisco



## Video Delivery Methods Multiplying



### Major Video Streaming Services



### Streaming Media Players

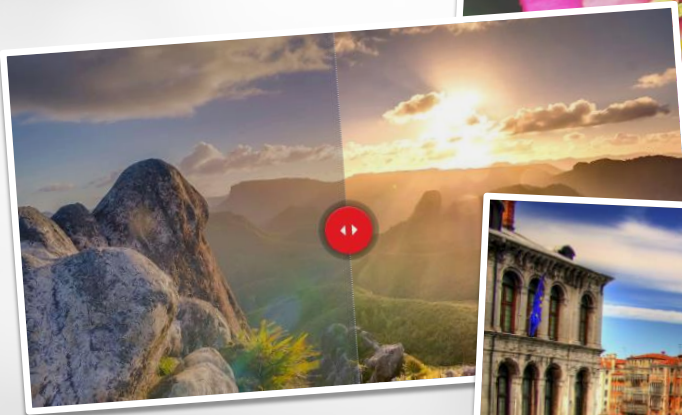
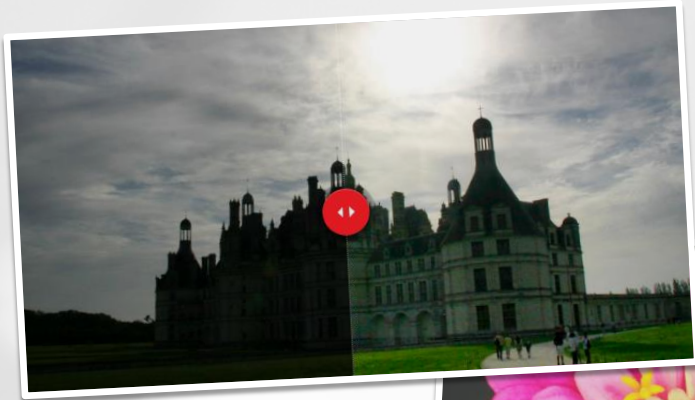


## Video Watching Patterns Changing



# 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

**400+** 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

## High Dynamic Range (HDR)

- › UHDA announced mobile HDR certification
- › First mobile devices supporting HDR released
- › Netflix, Amazon Video streaming mobile HDR

## 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

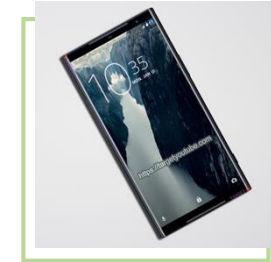
- › Mobile video is not controlled end-to-end
- › Need for bandwidth optimization
- › Need for better picture quality



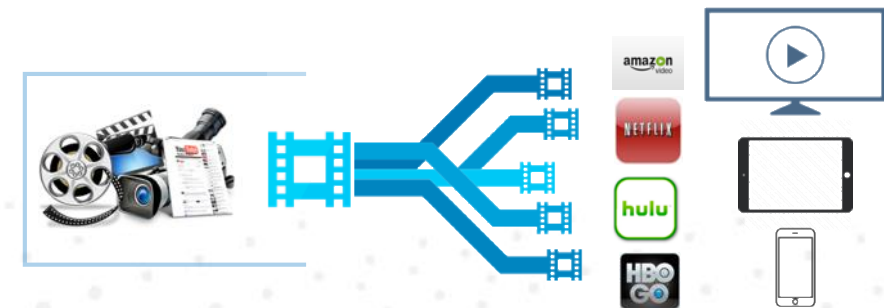
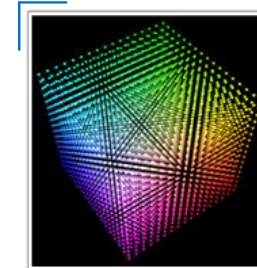
iPhone X, iPhone 8, 8-Plus



Samsung  
Galaxy S9



Sony  
Xperia XZ2

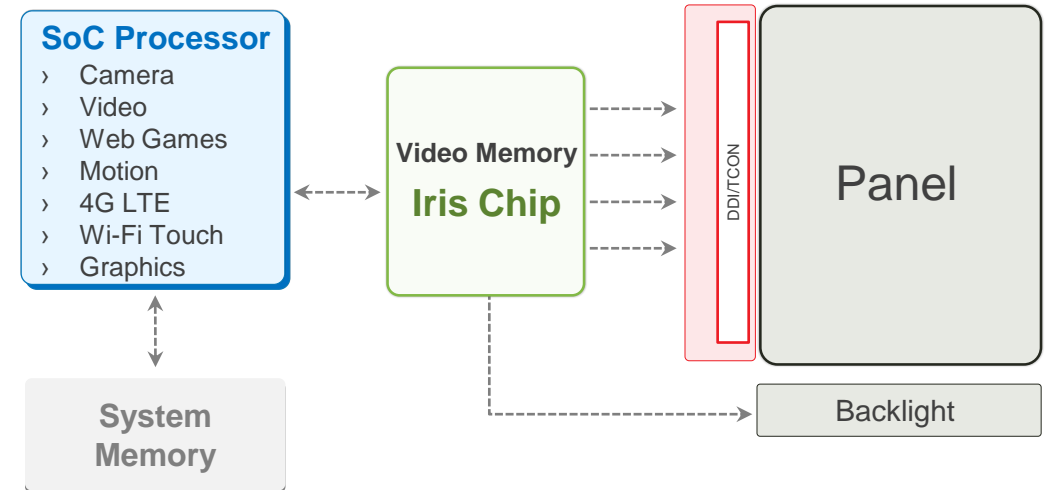


# Mobile Solution - Iris Architecture at the Core



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

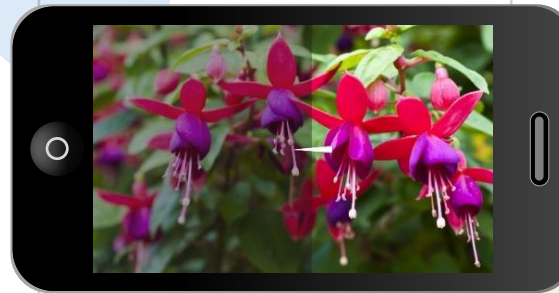


Limited Video Processing  
Discrete Memory  
Frame buffer in panel  
Increased Panel Costs  
Complex Supply Chain



### Bottlenecks

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 and Growing Number of Customer Engagements  
for Iris Gen 3 & Gen 4



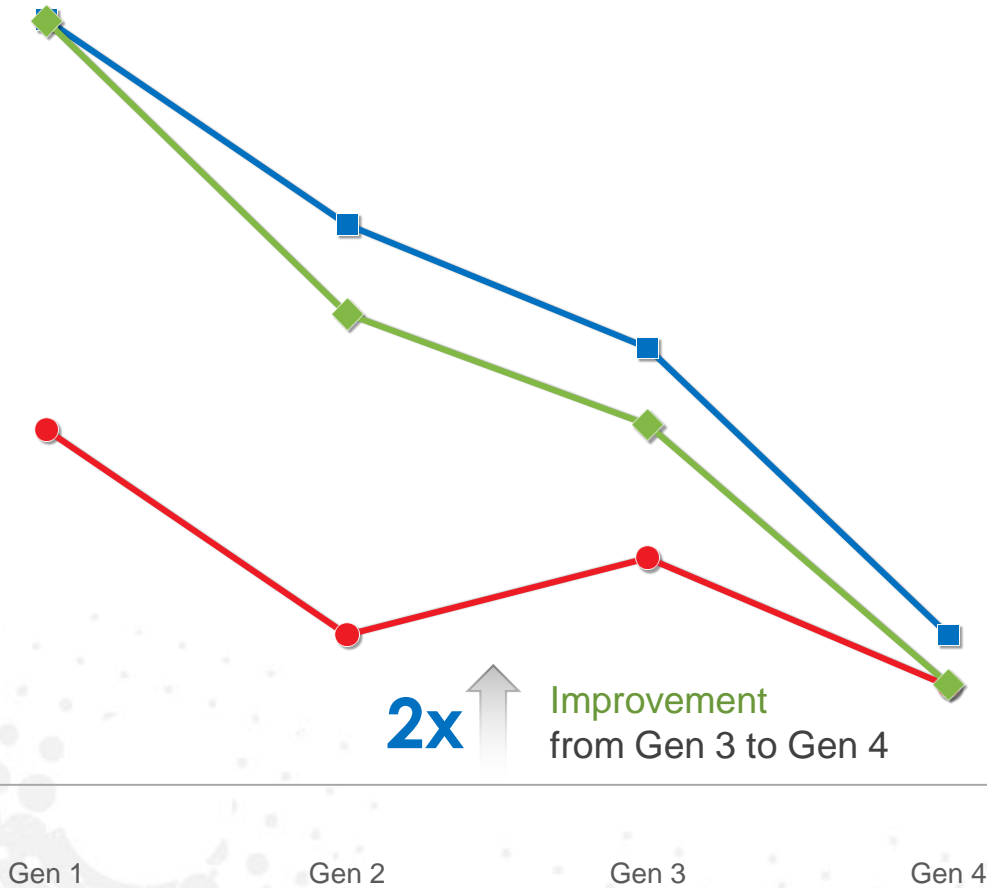
Price



PCB Area



Power Consumption



## Path to Broader Adoption



Reduce size of device  
*Lower BoM cost & required real estate*



Reduce Power Consumption  
*Chip design & software with expanded features*

# Black Shark & ASUS – Validation of Mobile Technology

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**Xiaomi Black Shark  
Gaming Smartphone**



- ❑ True Clarity™ for smooth, blur-free motion
- ❑ True Color™ for up to 1 billion accurate, vibrant colors
- ❑ In-line color calibration for indiscernible color accuracy
- ❑ Comprehensive tone-mapping pipeline for HDR10 videos
- ❑ Sophisticated contrast management and sharpness



**ZenFone™  
3 Ultra**



**ZenPad™ 8.0**



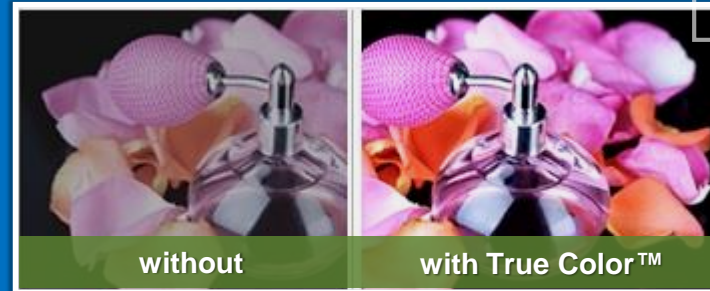
**ZenPad™ Z10**  
*(exclusively at Verizon Wireless)*



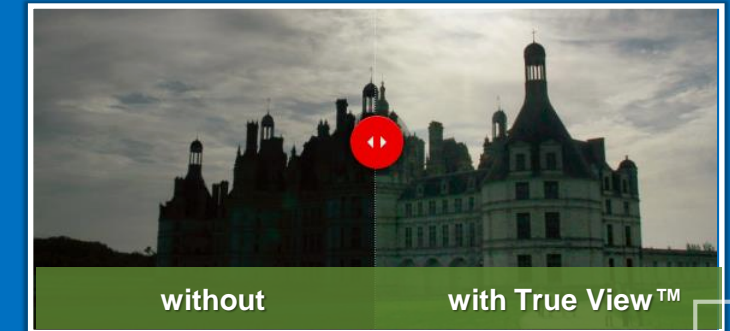
**ZenPad™ Z8**



**Clear, blur-free motion**



**Sharper, lifelike images with color accuracy**



**200% wider contrast levels**



# Video Delivery – Cord Cutter Solution



**1** Cord Cutter Solution connects to home network, starts to transcode and stream Free OTA content to mobile device

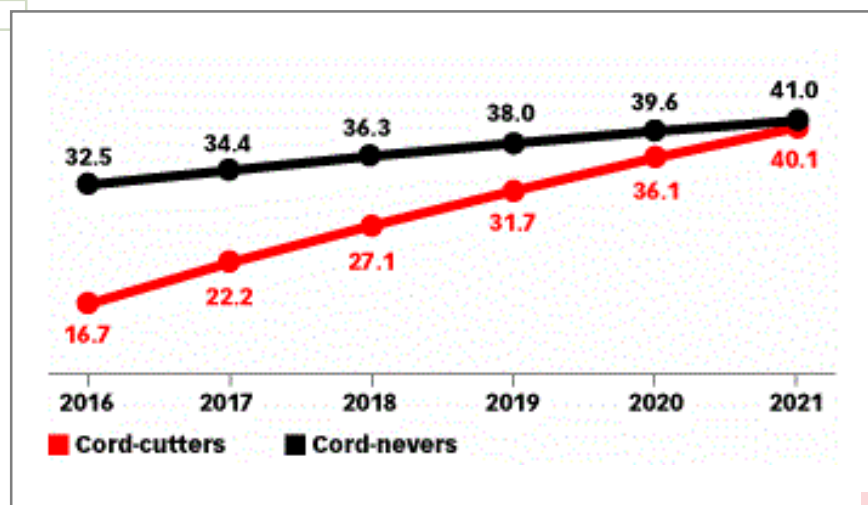
**2** Mobile, TV and Media devices find Cord Cutter solution via the home network



# Video Delivery Market & Opportunity

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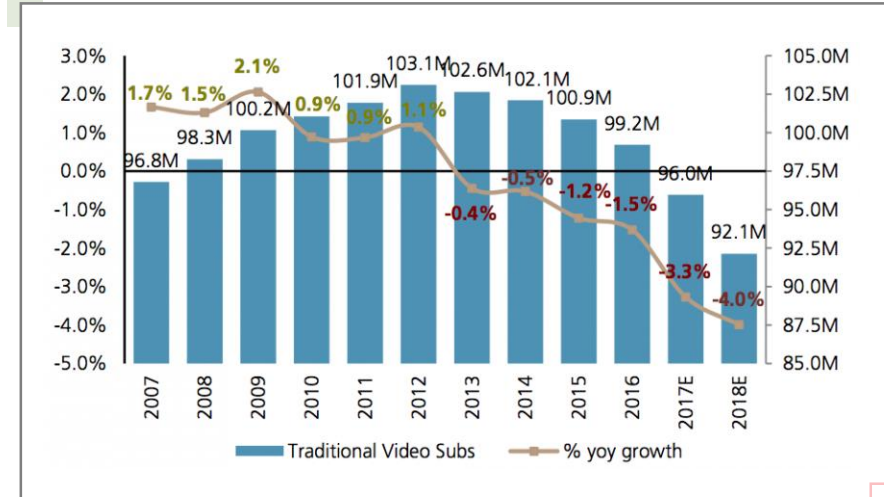
 US Pay TV Non-viewers, by Type, 2016-2021  
(Millions)



**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 non-viewers 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

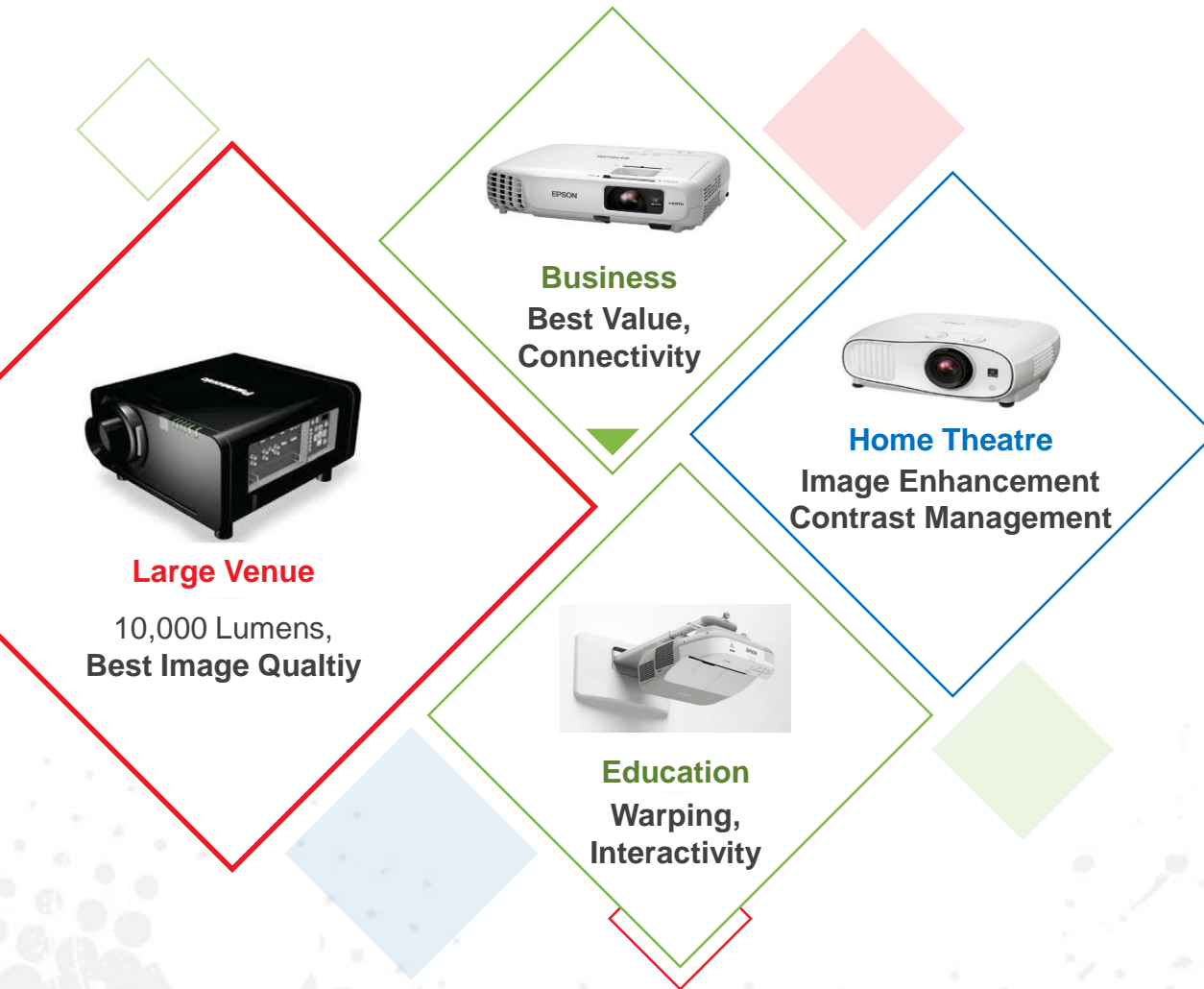
Rupert Murdoch

pixelworks®  
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

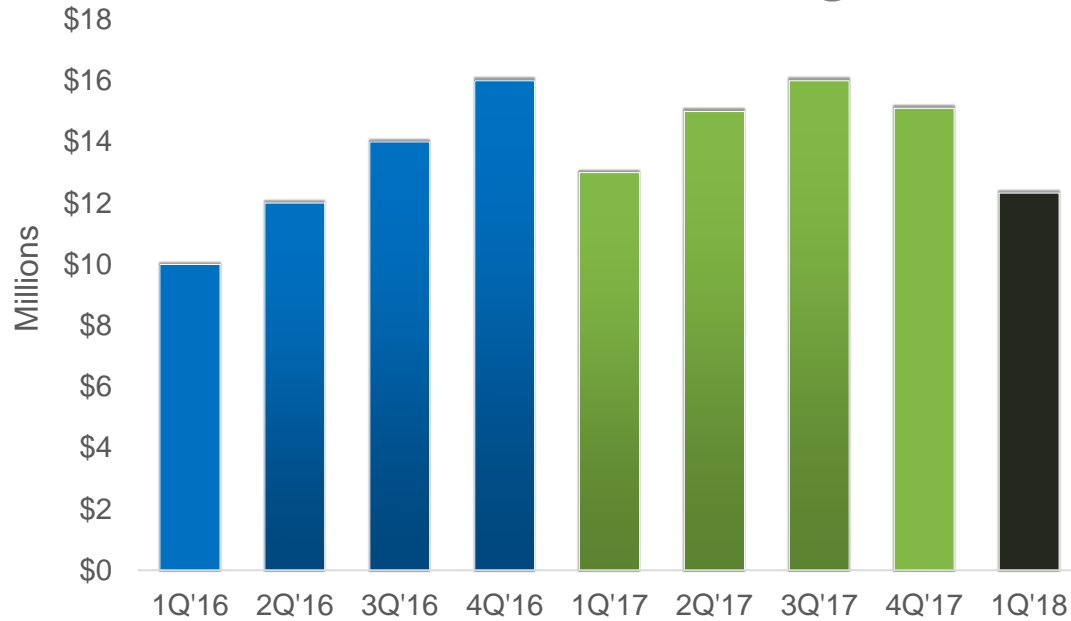
ViewSonic

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

(Revenue +38% 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



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



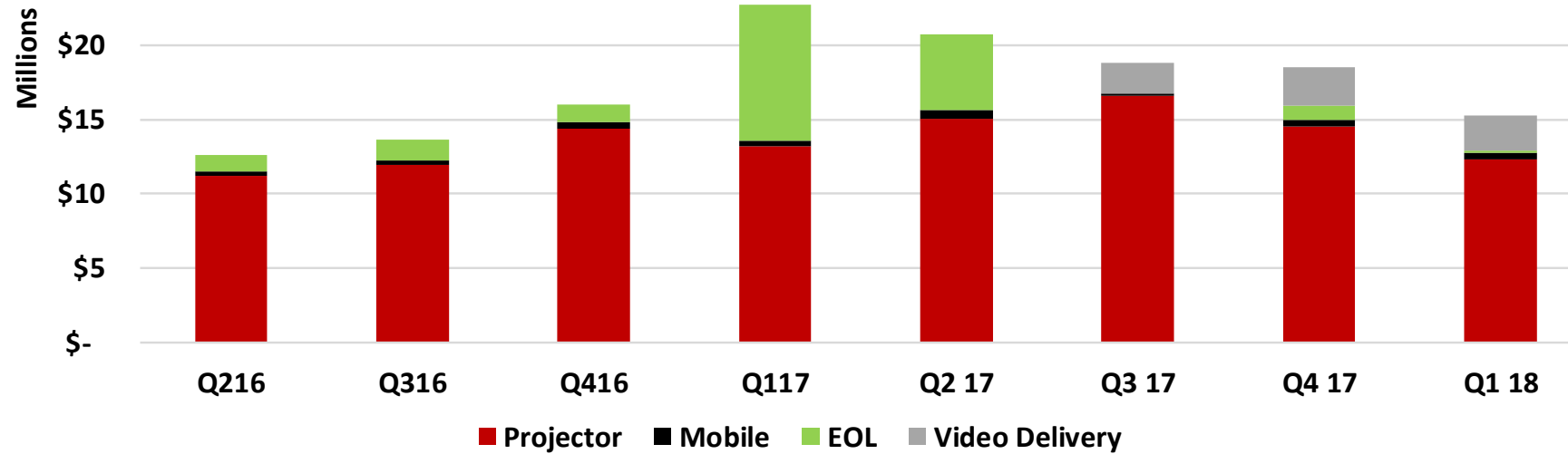
Future Market Opportunities

- › 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

	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18
<b>Revenue</b>	\$12.6	\$13.7	\$16.0	\$22.7**	\$20.7**	\$18.8	18.5**	\$15.3
<b>Gross Profit % (non-GAAP)</b>	51.6%	48.6%	53.6%	54.8%	54.4%	54.9%	56.9%	54.2%
<b>EPS (non-GAAP)</b>	(\$0.03)	(\$0.02)	\$0.04	\$0.12	\$0.10	\$0.03	(\$0.01)	\$0.00
<b>EBITDA (non-GAAP)</b>	\$0.3	\$0.7	\$2.1	\$5.0	\$4.7	\$2.3	\$0.8	\$1.3

\*\*Q1'17, Q2'17, Q4 '17 and Q1 '18 Results included approximately \$9.2M , 5.1M, \$1M and \$144K of EOL revenue, respectively.



# Balance Sheet

	Q4 '16 A	Q4 '17 A	Q1 '18 A
<b>Assets</b>			
Cash and Investments	\$19,622	\$27,523	\$20,611
Accounts Receivable	3,118	4,640	4,451
Inventories	2,803	2,846	2,589
Property, Plant & Equipment	3,793	5,605	5,871
Goodwill	-	18,407	18,407
Acquired Intangibles	-	5,856	5,457
Prepaid Expenses & Other Assets	1,521	2,666	5,077
<b>Total Assets</b>	<b>\$30,857</b>	<b>\$67,543</b>	<b>\$62,463</b>
<b>Liabilities</b>			
Accounts Payable	\$1,734	\$1,436	\$3,092
Other Liabilities	8,054	17,872	13,747
Income Taxes Payable	2,020	2,728	2,707
Debt	-	6,069	-
Shareholders Equity	19,049	39,437	42,916
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$30,857</b>	<b>\$67,543</b>	<b>\$62,463</b>

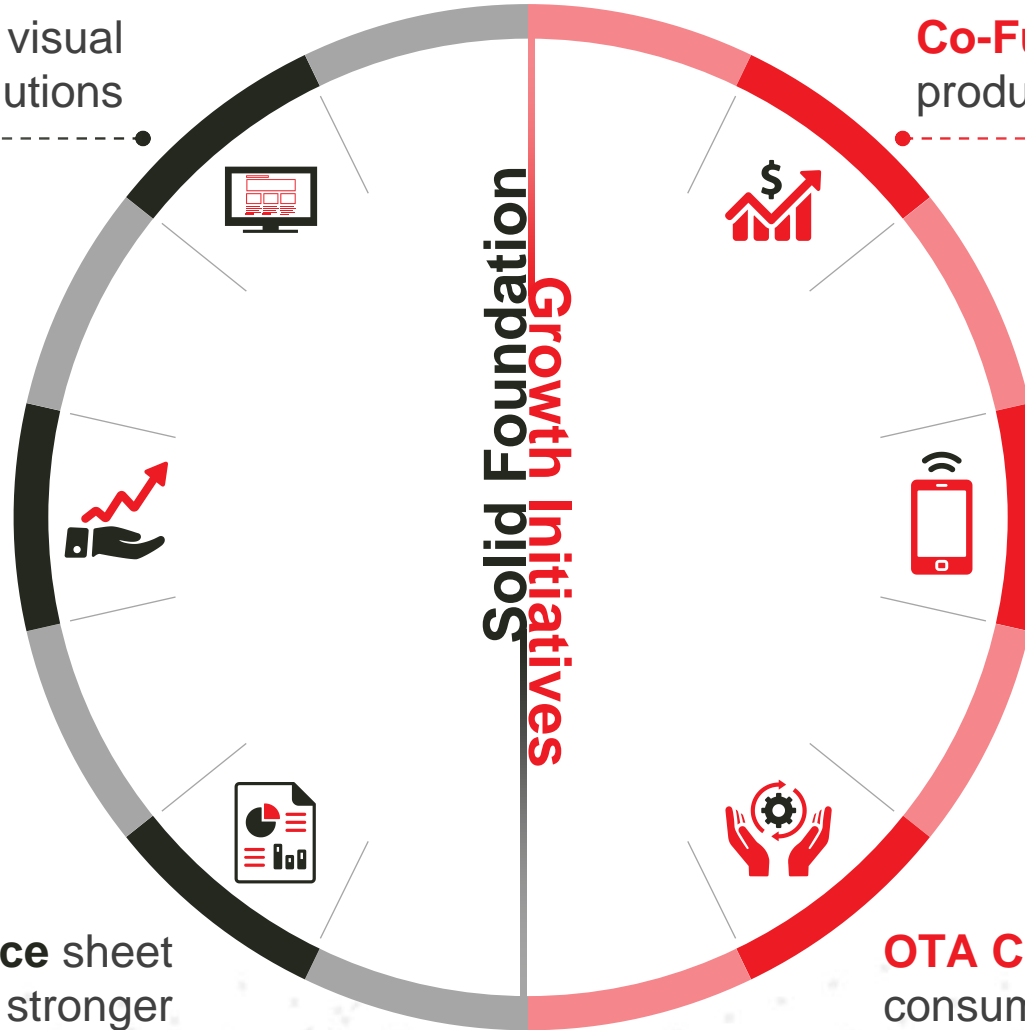
# Foundation for Growth & Profitability

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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 Cord Cutter Initiative** for consumer Video Delivery markets



# THANK YOU

