

Corporate Overview

January 2024

pixelworks®

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

Provider of industry-leading video and display Semiconductors & Software

Growing Mobile Business

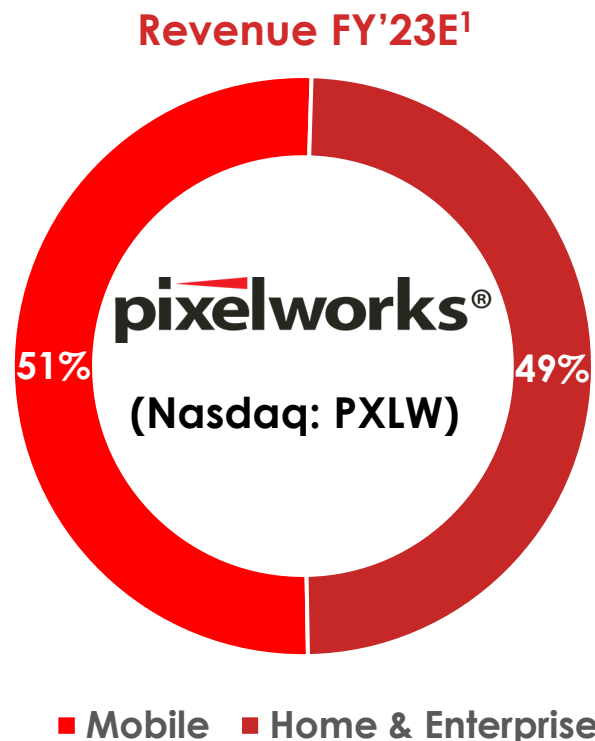
- Supplier to Tier-one OEMs in China
- 30% Mobile revenue growth in FY'23¹
- Expect increased unit volumes and ASPs in 2024

Commercializing TrueCut Motion™

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

Shanghai-based subsidiary

- Valued at +\$500M²
- Pixelworks, Inc. holds 78.2% equity



Market Leading Projector Business

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

Executing on path to profitability

- 30%+ projected growth in FY'24
- Margin Expansion
- Closely managed OpEx

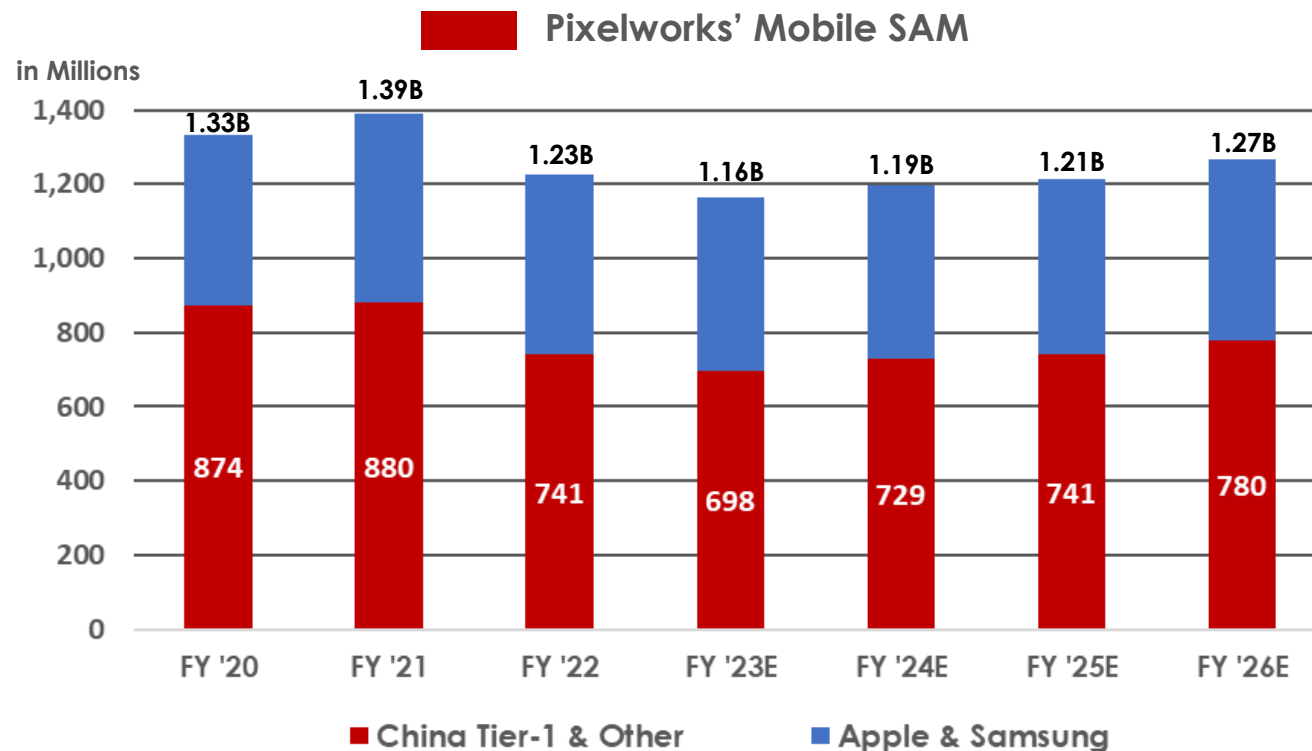
Strong Balance Sheet³

- \$50.3M cash

Mobile Market Opportunity

Smartphone Cycle Shifting from Headwind to Tailwind

Global Smartphone Unit Shipments



Source: Counterpoint, Jefferies and Company estimates

Mobile Market Dynamics & Growth

- ▶ 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

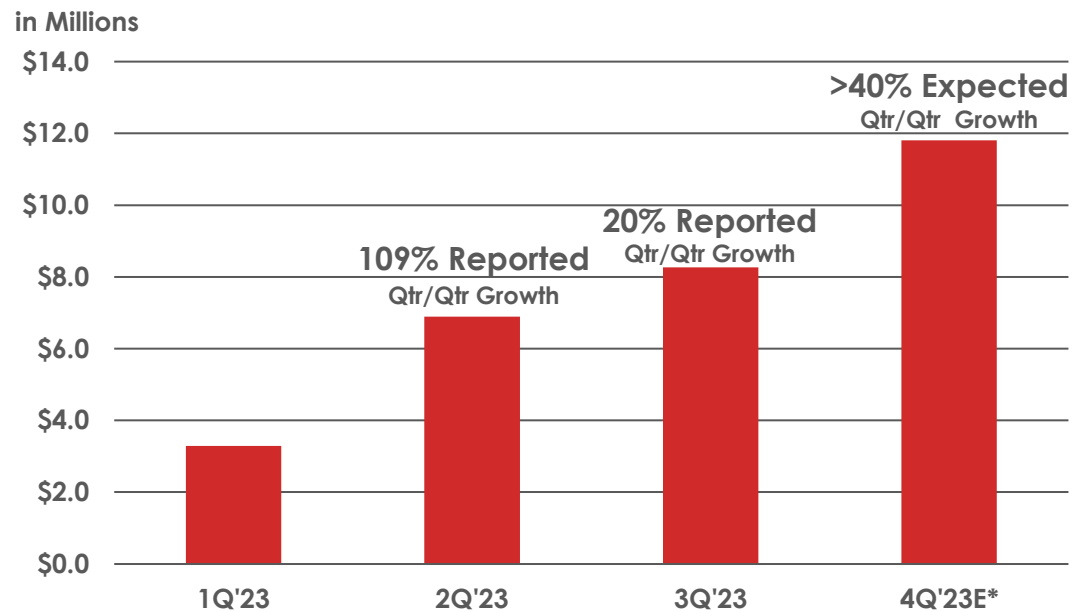
Mobile Achieving Significant Growth

Momentum paving the way for continued growth

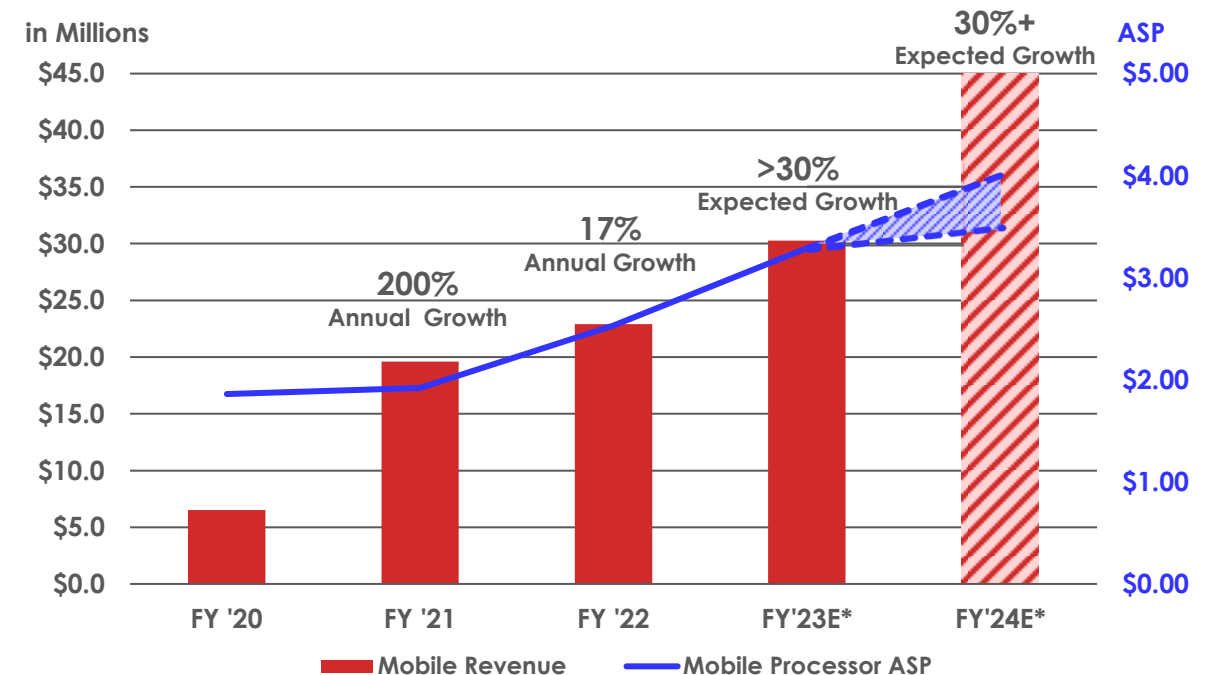
- Shipping to top 4 tier-one smartphone OEMs in China
- Aggressive technology roadmap and new product introductions
- Launched IRX Gaming Experience brand and certification program



Mobile Revenue | Quarterly Trend



Mobile Revenue & ASP | Annual Trend



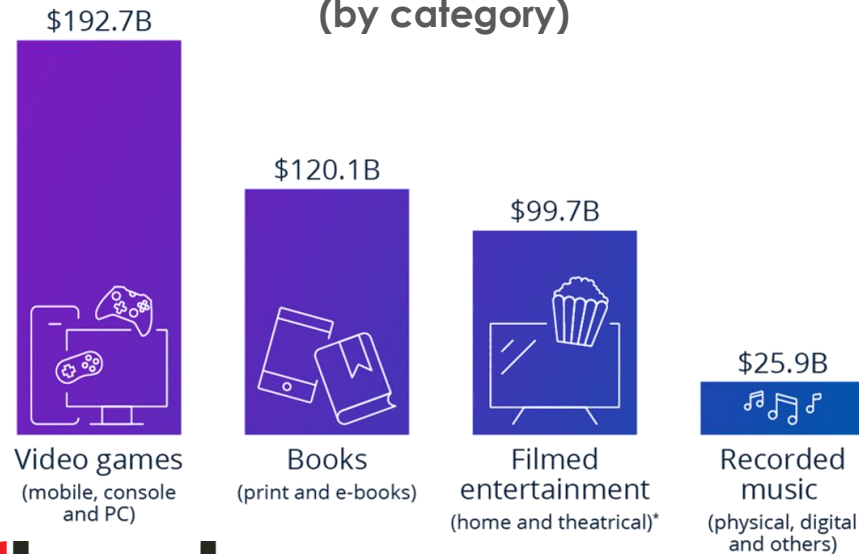
Mobile Gaming Driving Accelerated Adoption

The Mobile Gaming Challenge

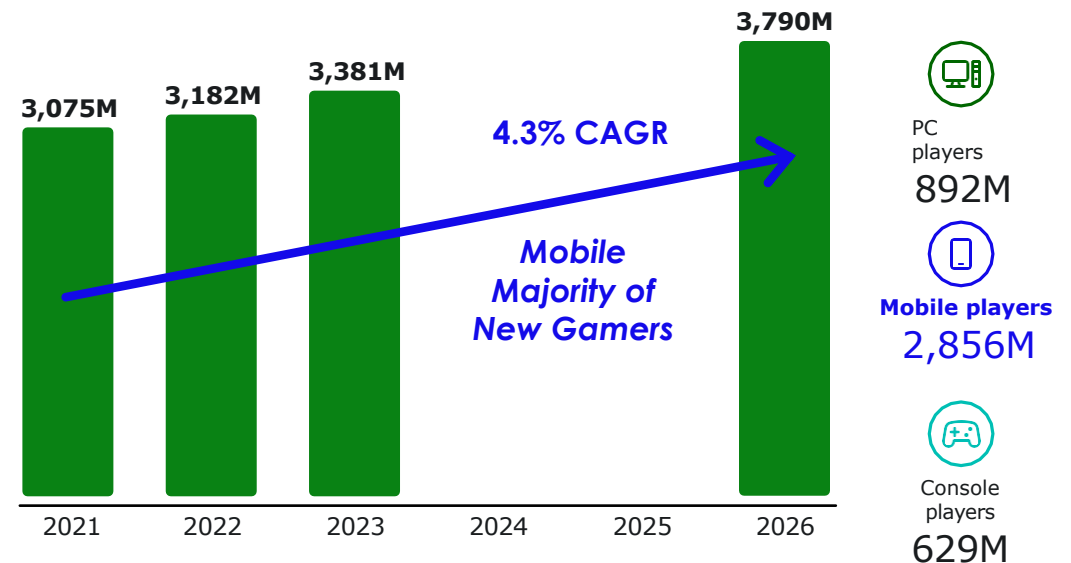
- ▶ PC-grade AAA/Cinematic games are being deployed for smartphones
 - Higher frame rate, resolution, photorealistic, picture quality
 - Multiplayer games require low/no latency
- ▶ Cost, size and power limits rendering capabilities in smartphone
 - Sophistication of mobile games exceeds native processing 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)
- ▶ Distributed visual architecture leveraging Pixelworks standalone visual processor enables otherwise impossible visual performance and battery life for popular mobile games

Collaboration with Gaming Ecosystem Leaders

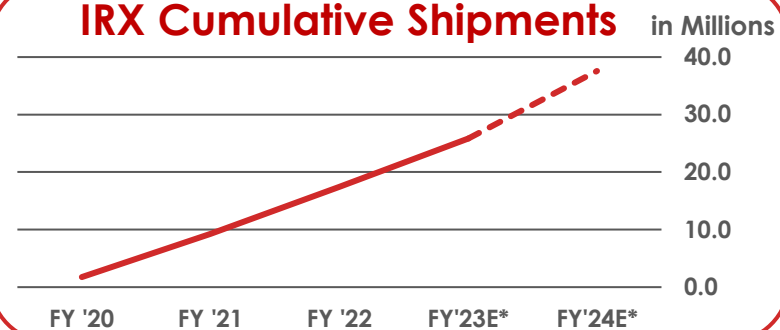
Gaming Studio Partners



Gaming Engines



IRX Cumulative Shipments



First IRX Certified Smartphones

OnePlus Ace 2 Pro



Aug 14, 2023

Xiaomi Redmi K60 Ultra



Aug 16, 2023

realme GT5



Aug 28, 2023

HONOR 90 GT



Dec 21, 2023

OnePlus 12



Dec 5, 2023

OnePlus Ace 3



Jan 4, 2024

TrueCut Motion™ Platform

Enables filmmakers to create visually stunning motion, scene by scene, with end-to-end platform ensuring artistic intent displayed accurately across any screen – from theaters to home entertainment

Target Customers and Revenue Model



Content Creators

- Film and post-production studios
- Motion grading of new titles
- Support services for remastering of one-off titles, series or content libraries



Content Delivery

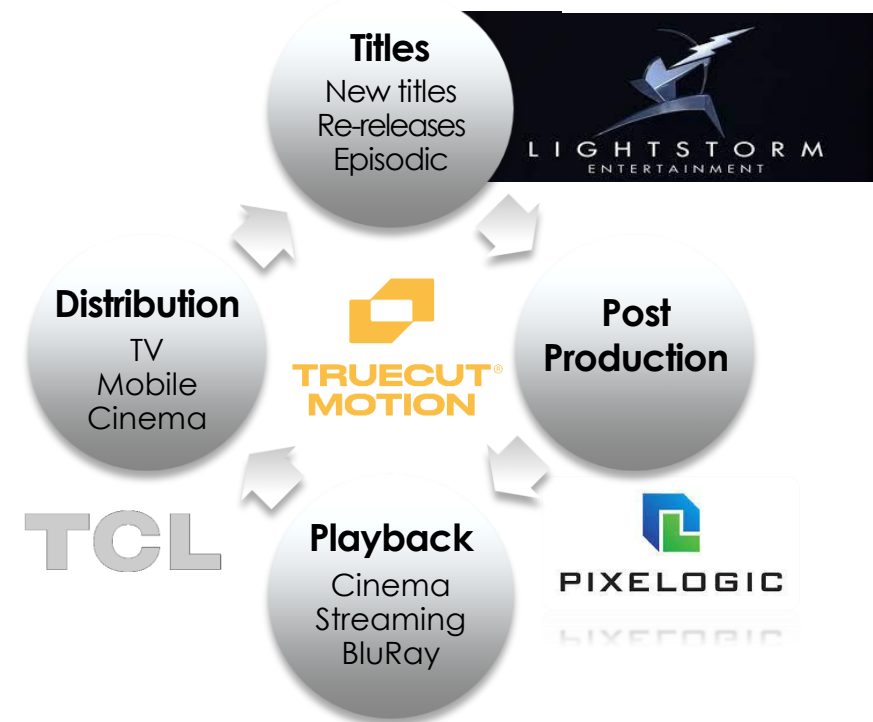
- Streaming providers /content distributors
- High-margin recurring license fees



Device Manufacturers / OEMs

- TVs, mobile display devices
- High-margin recurring license fees and device royalties

Ecosystem and Announced Partners



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)

- ▶ Primary supplier for the 3LCD projector market, which is roughly half of digital projectors 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



Tier-1 Projector OEM Customers

EPSON®

HITACHI

NEC

Panasonic

SHARP

SONY

Projector Applications

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



Pixelworks' Shanghai subsidiary

Aligned to Capture Growth and Strategic Opportunities 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.

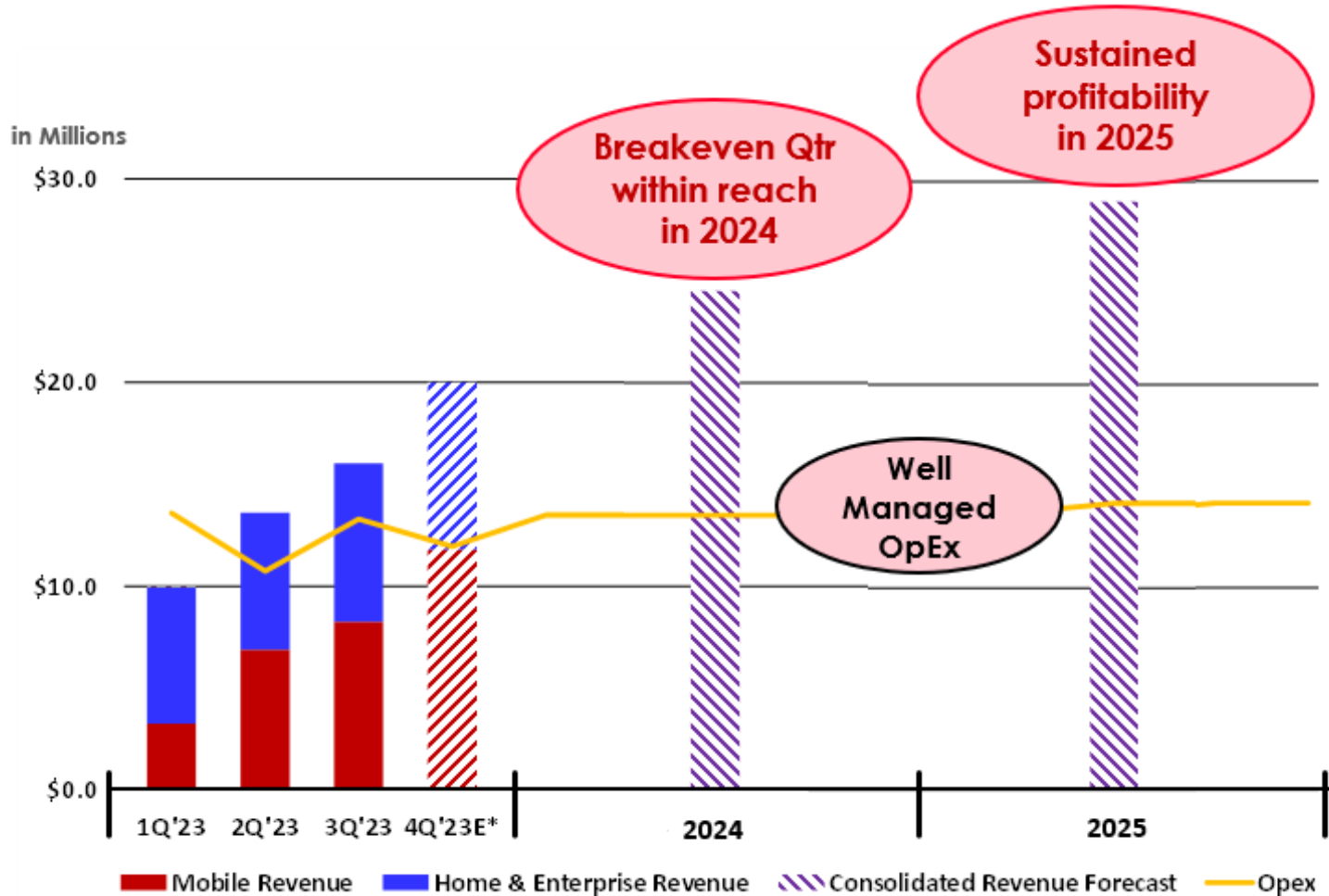
PWSH Valuation and IPO Status

- ▶ 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"> ✓ Launched latest X7 Gen 2 mobile visual processor ✓ Mobile revenue in 2H'23 expected to grow over 100% yr/yr
Build-out of mobile gaming ecosystem	<ul style="list-style-type: none"> ✓ Launched Pixelworks IRX Gaming branding and certification ✓ Hosted inaugural Mobile Visual Computing event in China ✓ Announced 5 IRX certified mobile games with leading studios
TrueCut Motion engagement/adoption	<ul style="list-style-type: none"> ✓ Late-stage discussions with multiple world-leading ecosystem partners and early-adopter customers
Gross Margin expansion	<ul style="list-style-type: none"> ✓ Increased by 255 basis points sequentially in 3Q'23 ✓ Expect continued sequential margin expansion in 4Q'23
Achieve breakeven, then profitability	<ul style="list-style-type: none"> ✓ Formalized goal and outlined path to sustained profitability
Unlock value of Shanghai subsidiary	<ul style="list-style-type: none"> ✓ Completed substantially all preparation required for subsidiary to file IPO application in China

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

	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 23 Outlook*
Revenue	\$17,552	\$16,888	\$9,966	\$13,605	\$16,032	\$19.0M - \$21.0M
Gross Margin (1)	8,749	8,995	4,391	5,506	6,903	
Gross Margin %	49.8%	53.3%	44.1%	40.5%	43.1%	44% - 46%
R&D (2)	7,880	5,839	8,175	5,980	8,300	
SG&A (3)	4,306	5,004	5,421	4,758	4,997	
Total Opex	12,186	10,843	13,596	10,738	13,297	\$11.5M - \$12.5M
Income/(Loss) from Operations	(3,437)	(1,848)	(9,205)	(5,232)	(6,394)	
Other Income	165	272	671	473	471	
Tax Provision	(71)	(1,132)	34	126	158	
Net Income Attributable to Non Controlling Interest	-	327	(338)	(107)	(334)	
Net Income/(Loss)	(3,201)	(771)	(8,230)	(4,778)	(5,747)	
EBITDA	(2,113)	(1,008)	(7,786)	(4,048)	(5,007)	
Net Income/(Loss) per share	(\$0.06)	(\$0.01)	(\$0.15)	(\$0.09)	(\$0.10)	(\$0.07) - (\$0.03)
Weighted Shares Basic/Dilutive	54,826	54,974	55,720	55,917	56,410	

Balance Sheet Trend

	Q4 '22	Q3 '23
Assets		
Cash and Investments	\$56,821	\$50,318
Accounts Receivable	10,047	10,165
Inventories	1,760	5,905
Property, Plant & Equipment	4,632	6,562
Operating Lease Assets	3,331	5,365
Goodwill	18,407	18,407
Prepaid Expenses & Other Assets	7,325	4,452
Total Assets	\$102,323	\$101,174
Liabilities		
Accounts Payable	\$3,143	\$4,356
Accrued Payroll Liabilities	3,632	3,938
Operating Lease Liabilities	3,539	5,466
Other Accrued Liabilities	18,368	18,714
Income Taxes Payable	1,391	1,089
Redeemable Non-Controlling Interest	28,919	27,398
Shareholders Equity	32,422	16,227
Non-Controlling Interest	10,909	23,986
Total liabilities, redeemable non-controlling interest and shareholders' equity	\$102,323	\$101,174

GAAP/Non-GAAP Reconciliation

	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23
(1) Excludes:					
Stock-based compensation	(47)	21	24	22	21
(2) Excludes stock-based compensation	565	556	491	527	452
(3) Excludes:					
Stock-based compensation	776	583	651	710	779

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

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