

Corporate Overview

August 2021

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, 2020 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.



Provider of industry-leading video processing
technology and solutions that enable highly authentic viewing
experiences with superior visual quality

Pixel Perfection®

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 360+ issued/pending patents



Target Markets

- ▶ **Mobile** (smartphone, gaming & tablet)
- ▶ **Cinema** (TrueCut® 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

Path to China and STAR Market

Realignment to Capture Accelerated Growth Opportunities in Asia

Operating Structure

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

Subsidiary Financing

- ▶ Committed investments in PWSH (10.45% equity interest) from private equity and strategic investors in China
 - RMB equivalent of ~**\$30.8M** (pre-money valuation of ~**\$246.8M**)
 - MTM, Verisilicon, Canaan, and Chipone Technology
- ▶ Committed investments in PWSH (5.95% equity interest) by ESOP
 - RMB equivalent of ~**\$12.3M** (pre-money valuation of ~**\$172.7M**)
 - 75% of PWSH employee participation
- ▶ Pixelworks continues to hold an 83.6% equity interest in PWSH

Rationale and Benefits

- ▶ Further aligns resources around global center in Asia – closer to key customers, ecosystem partners and end markets
- ▶ Direct equity ownership by employees through ESOP in Shanghai-based PWSH subsidiary enhances ability to attract and retain key talent in highly competitive labor market
- ▶ Position PWSH subsidiary to qualify and pursue IPO on the STAR Market in China by mid-2023
- ▶ Access to new sources of growth capital aligned with strategic relationships, while opening adjacent markets for industry-leading visual processing technology

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

Visual Experiences Drive Mobile Value

Fueled by massive platform and content ecosystems

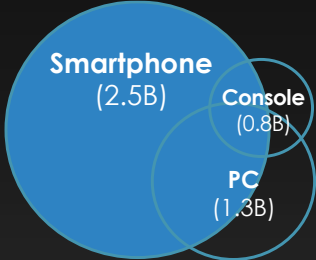
63% of global mobile traffic is video

93% of gamers play on smartphones

2.5B
Smartphone Gamers



55%
are in Asia-Pacific

Video

\$8.1T

← Collective Ecosystem Market Caps →

\$8.5T

Gaming

Pixelworks Mobile SAM

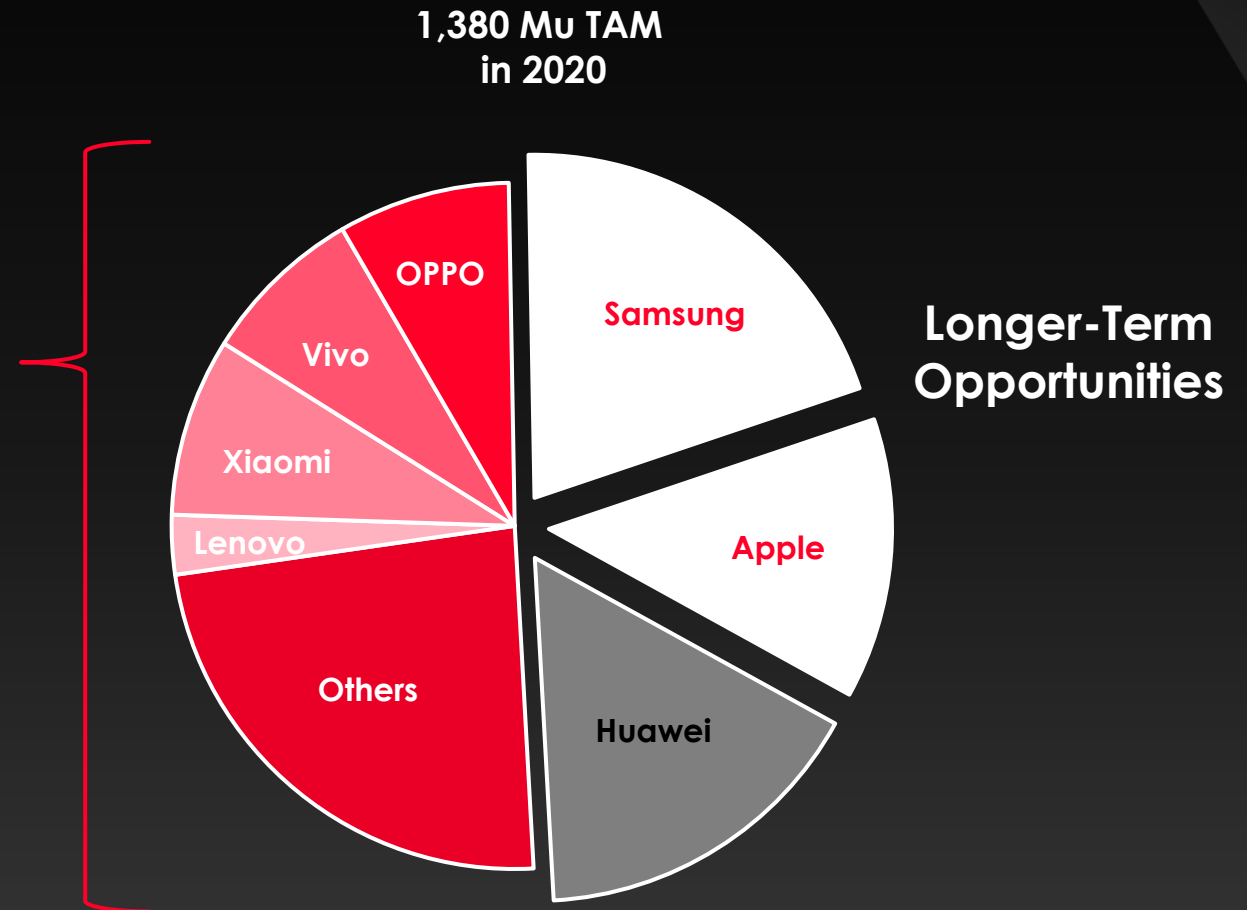
Near Term Opportunity

2020 | ~370Mu SAM

- >16 new PXLW models at 7 OEMs
- PXLW technology now in phones with MSRP from \$100 to \$1,400

2021 | ~500Mu SAM

- YTD: 16 new PXLW model at 6 OEMs
- OPPO, vivo, Xiaomi (and affiliates) take other tier ones' share
- PXLW YoY increase in active OEMs, new models and volume per OEM



2020-2021: Redefining Smartphone Video UX

Flagship

- ▶ Powered top-rated **premium** displays
- ▶ MEMC on first 120 Hz variable refresh
- ▶ Record-breaking color accuracy

ONEPLUS

DXOMARK

#1 rated color accuracy

#1 fewest video artifacts



Highest A+ Display Rating

Record JNCD of 0.3



oppo



Highest A+ Display Rating

Record JNCD of 0.4

High-Mid

- ▶ **Affordable** flagship-like experience
- ▶ Disruptive price/quality
- ▶ Always-on HDR, adaptive clarity

DISPLAY GREATNESS

TCL
20 Pro 5G



#1 Color Accuracy
89 total score among industry's best

DXOMARK

TCL

TCL 10 Pro



#1 Video Quality | #1 Viewing Clarity

DXOMARK

NOKIA

8V 5G UW
Smartphone
with PureDisplay



Expanded U.S. Carrier Distribution

verizon



OnePlus 8 | 8 Pro



Find X2 | X2 Pro



Black Shark 3 | 3S | 3 Pro



ROG III



ZenFone 7 | 7 Pro



8.3 5G | 8 V 5G UW



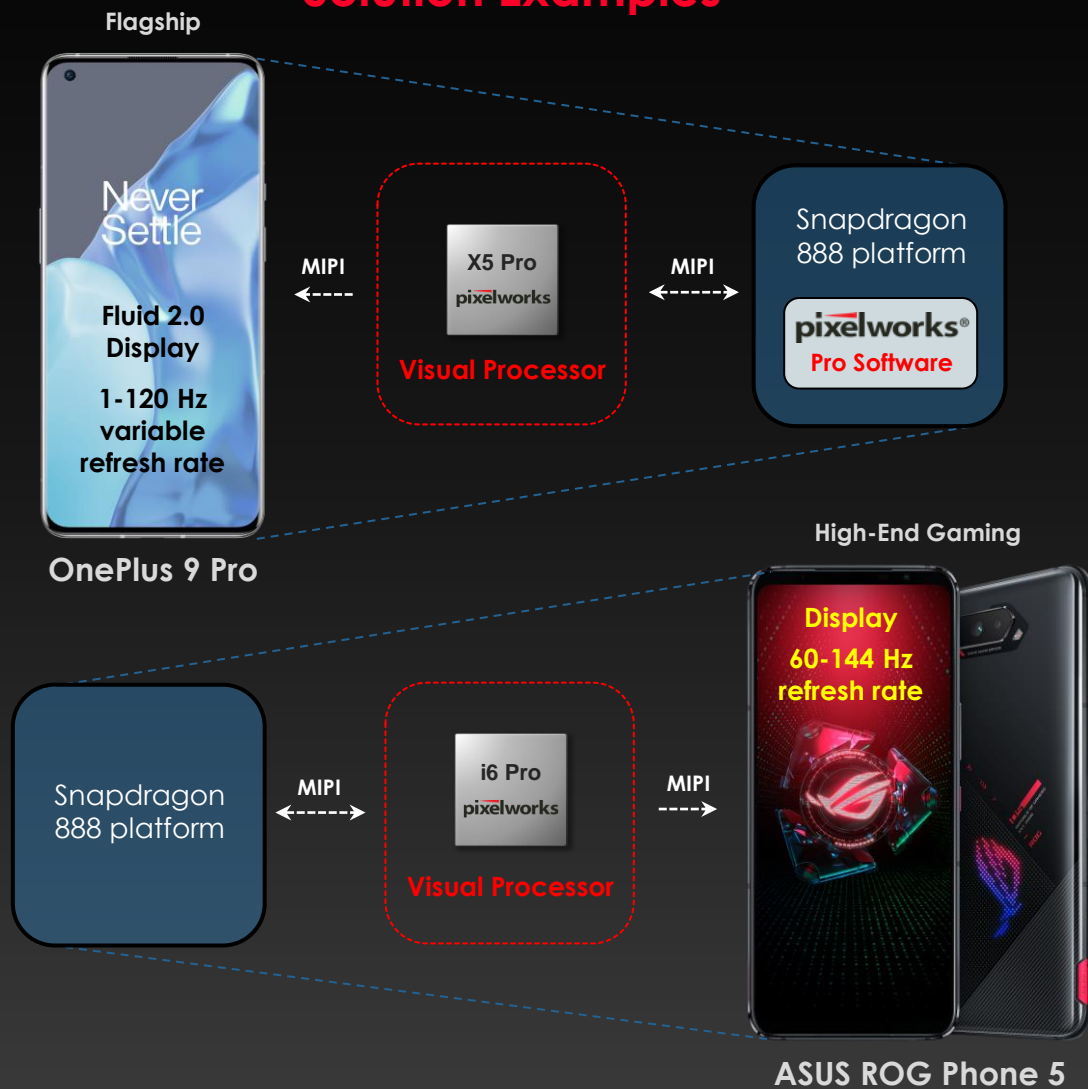
Legacy Brisa



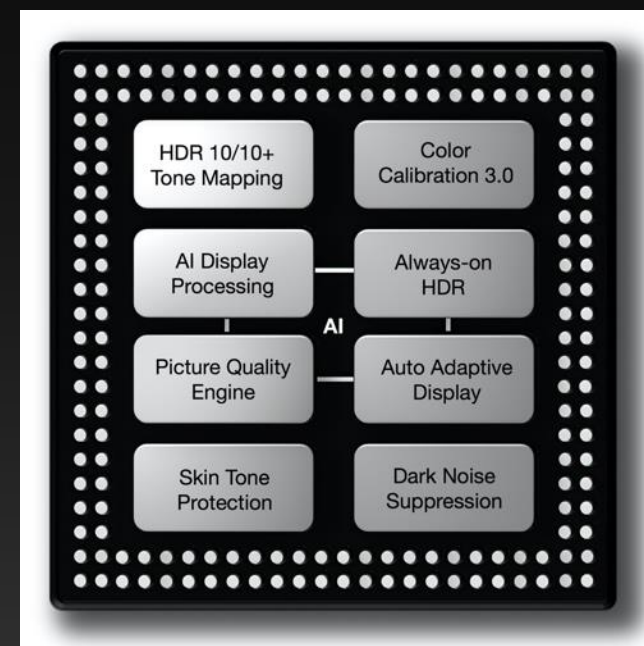
TCL 10 Pro | 10 5G | 10L

Expanded Portfolio with New AI Based Processor

Solution Examples



New Pixelworks i6 processor with Dedicated AI Engine



AI Scene Detection



With Adaptive Picture Quality

Plus higher resolution and added power optimization

New Pixelworks Mobile Processor Positioning

Product Strategy

X Series Processor

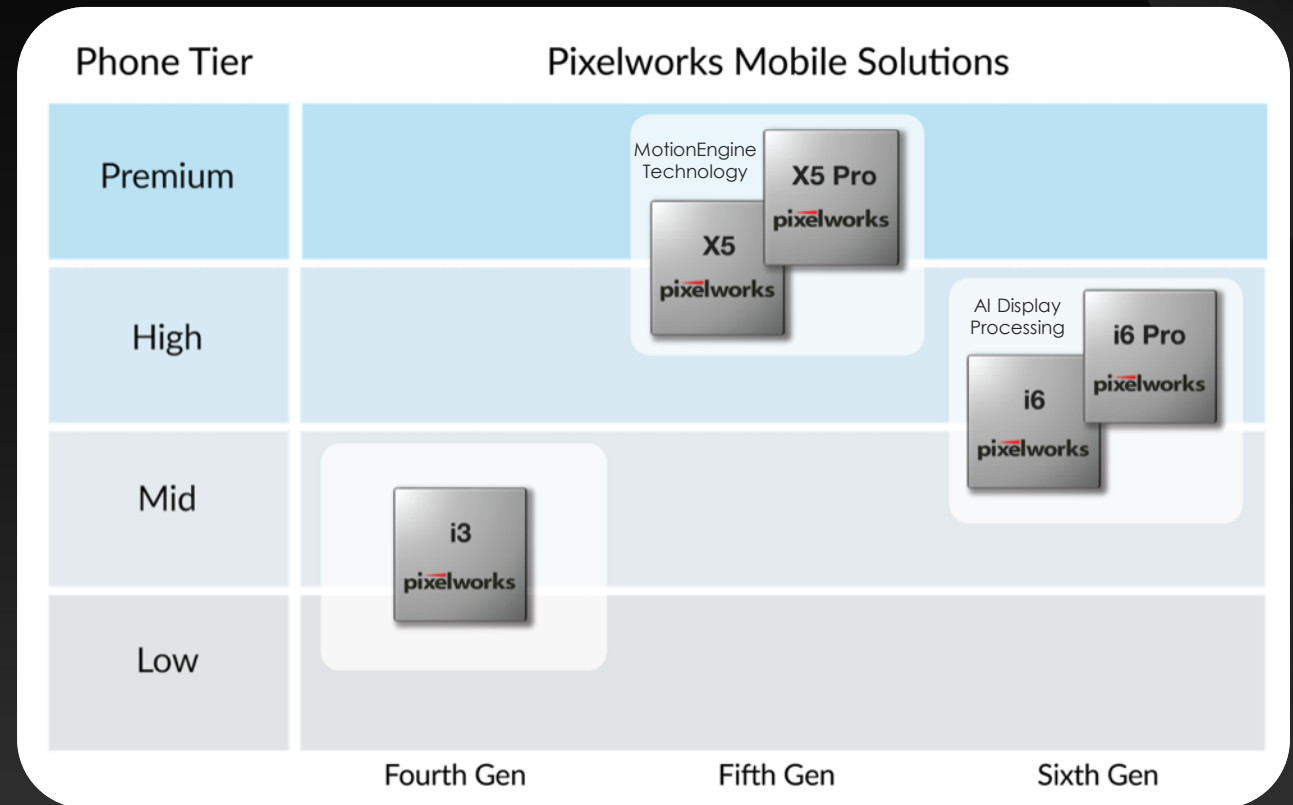
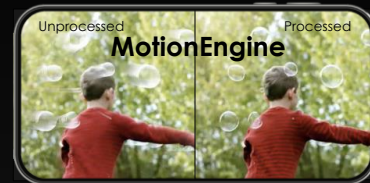
- Performance-optimized for high refresh rate displays
- Comprehensive features, including patented MotionEngine® tech

i Series Processors

- Affordable flagship-like visuals
- i6 offers AI-based differentiation

Pro Software

- Subset of features implemented in software
- Covers less demanding content/use cases at lower power

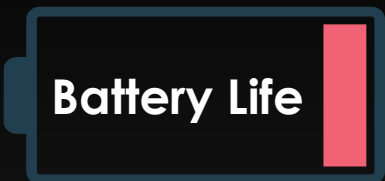


Tech Roadmap/Next-Gen Processor

- Extreme low latency, low power cloud gaming
- Extend AI to advanced features & higher resolution

Solving Smartphone Gaming Pain Points

1



Gaming is most power-hungry use case

Use Case	Consumption	
	Time Share	Battery Share
Gaming	35%	75%
Video		
Camera		

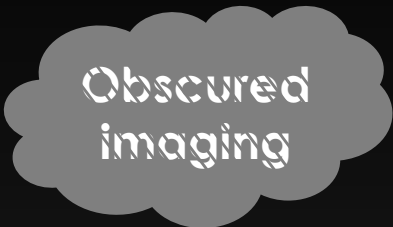
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Lack of smooth motion, stuttering from lost frames



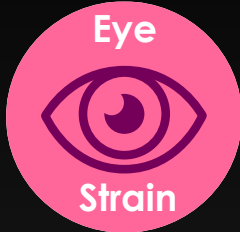
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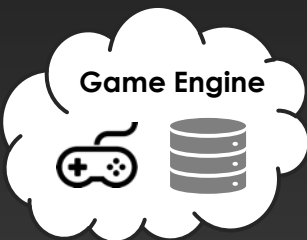
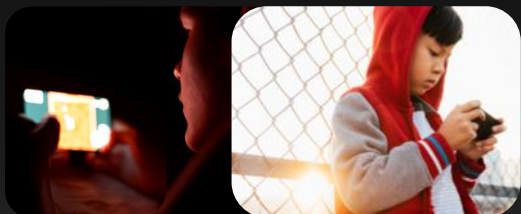
Lack of contrast and detail in dark scenes



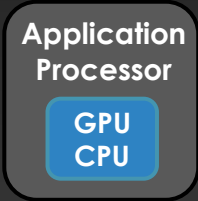
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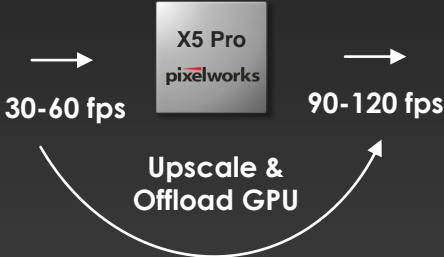
Sustained play in extreme viewing conditions



commands
←
updates
→



pixelworks



vivo iQOO Neo5 example

Game up to | 50% longer 10° C cooler

Road to Ultimate HFR Gaming Experience



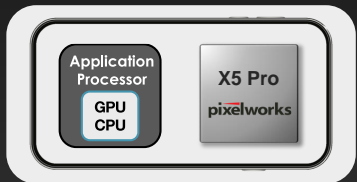
X5 Pro
pixelworks

Patented MotionEngine technology for smart, natural high frame rate motion



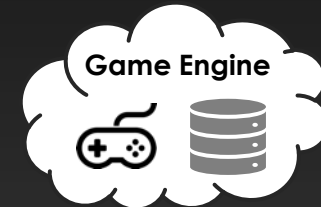
i6 Pro
pixelworks

AI PQ with SDR to HDR up-mapping and adaptive display for eye comfort

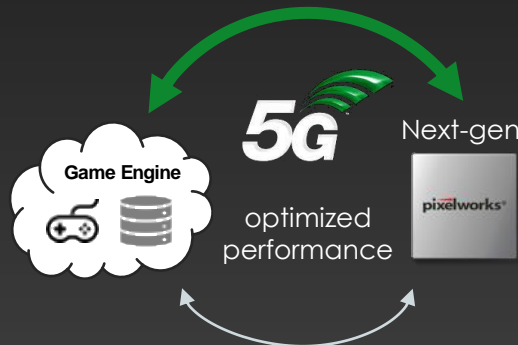


Optimizing visual quality for **120 fps gaming** with X5, and new launches expected in 2021

Next gen performance enhancements being enabled with major game engines

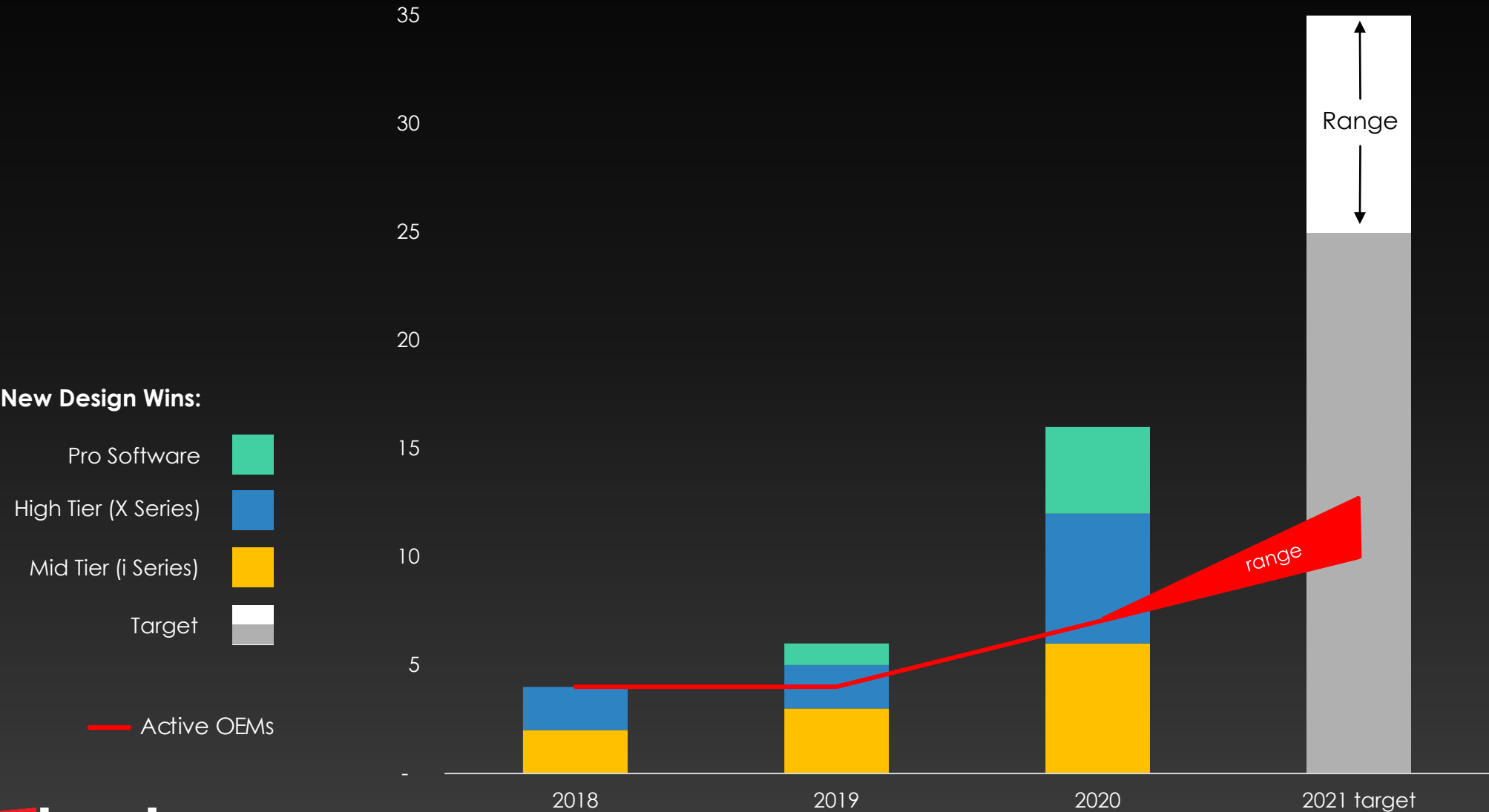


Always-smooth HFR motion
Always-HDR color
Low power

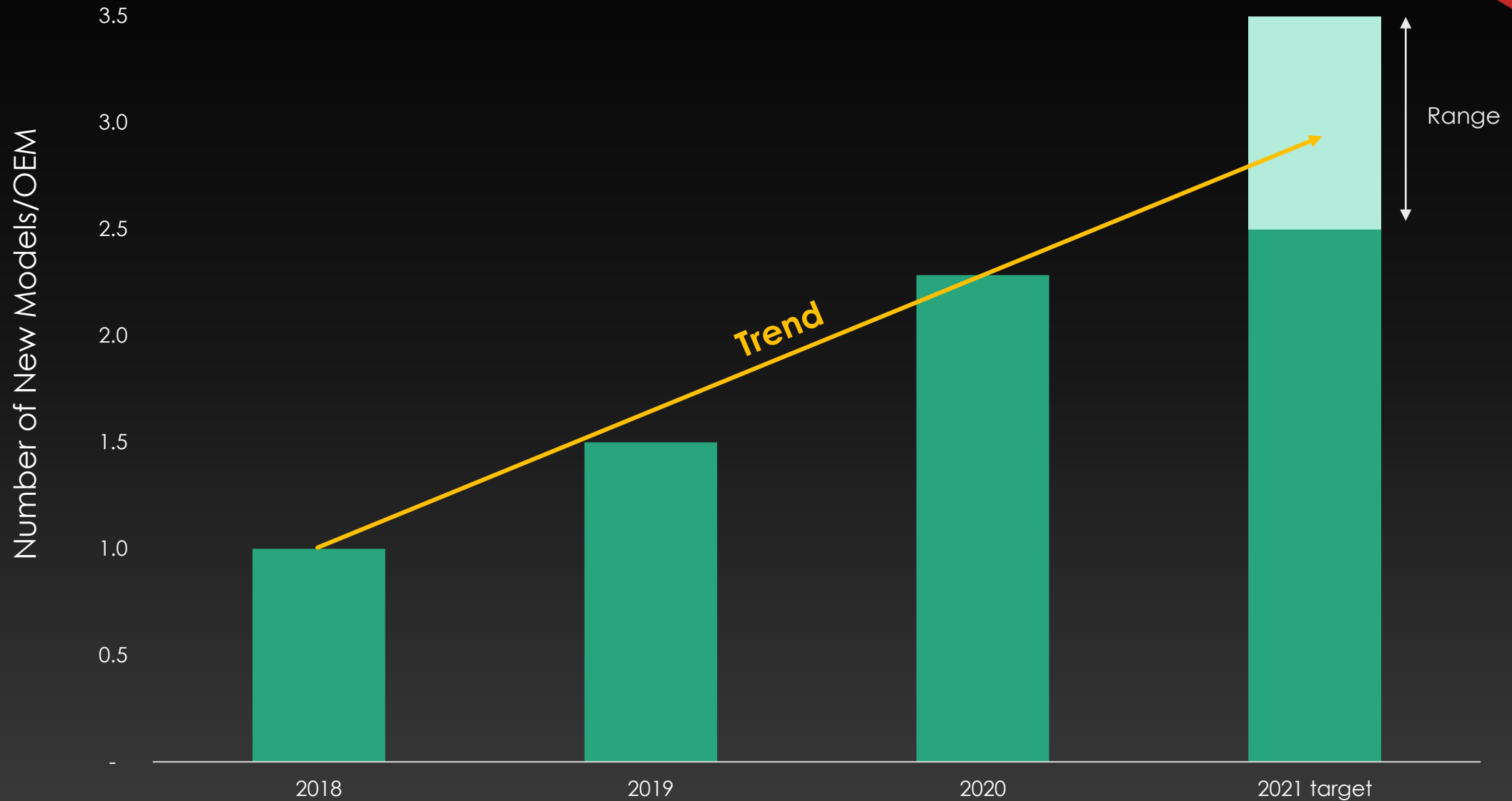


Desktop-like performance
Low power
Low latency

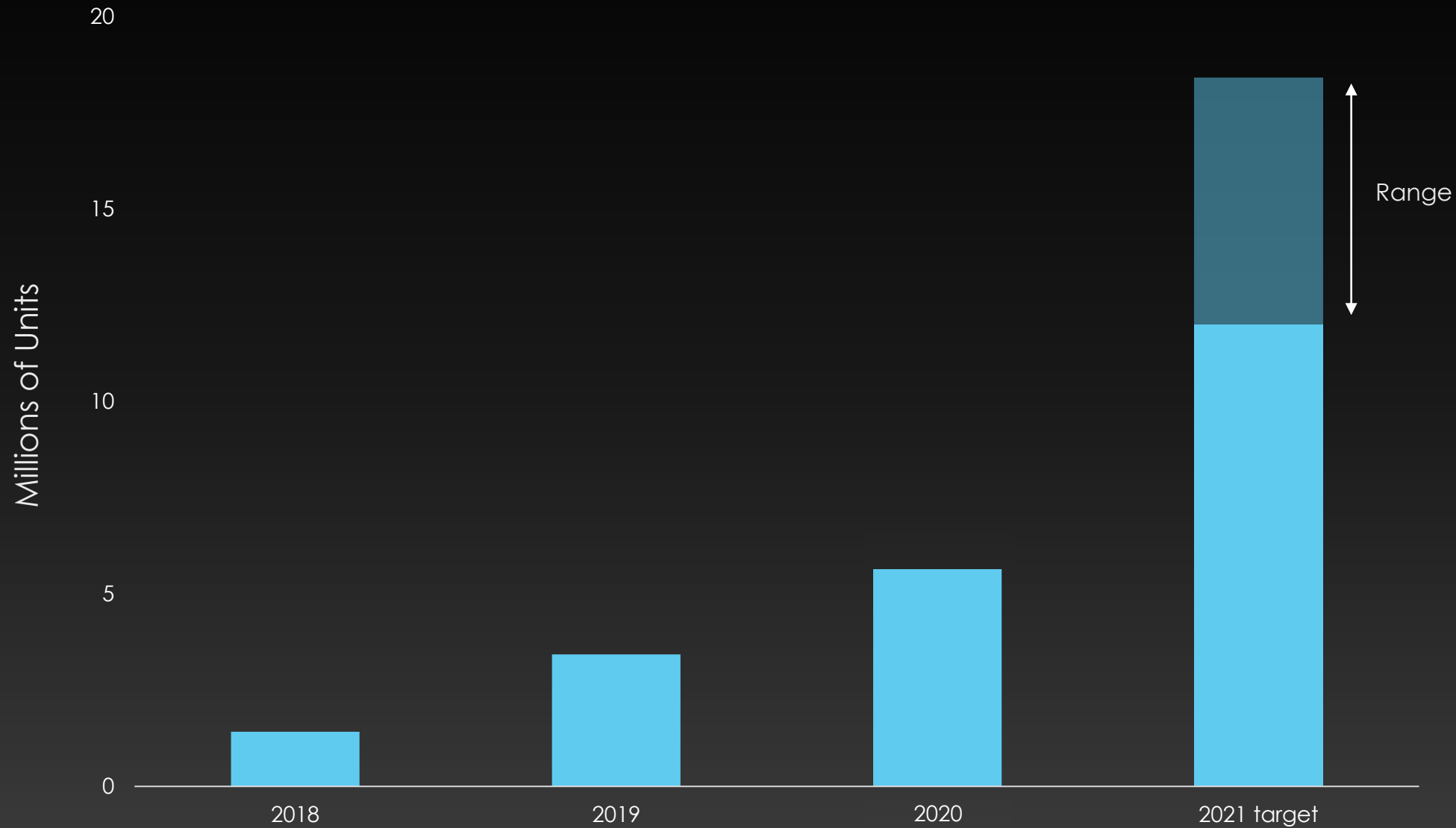
Mobile Momentum – New Designs Wins and Active OEMs



Mobile Momentum: New Design Wins Per Active OEM



Mobile Momentum: Unit Volumes Shipped



TrueCut® End-to-end Cinematic Content 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
 - Example: YOUKU remastering SDR library to HDR. 130 mobile devices certified, accessible to ~100M users
- ▶ The above creates pull-through for larger device (TV) playback license opportunity

Home and Enterprise

Mature business lines fund Mobile & TrueCut growth initiatives

Projector market

Mature Market (#1 mkt share)

- ▶ 8M units annually, long product cycles
- ▶ Mkt recovery began in 1H'21, tempered by supply constraints

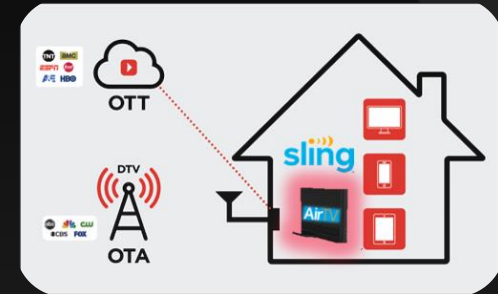


Business Focus

- ▶ Ramped co-developed SoC with largest customer in 2020; signed new co-dev in Aug '21
- ▶ Transitioning customer base to new-generation higher-priced SoC with advanced features, laser and high-brightness models

U.S. Over-The-Air (OTA) market

- ▶ Efficient, high-quality streaming of TV over wireless networks
- ▶ XCODE processor: up to 4 simultaneous free HDTV streams



Japan PVR market

Mature Market

- ▶ 2M units annually, long product cycles

Business Focus

- ▶ Support existing wins in 4K ADSB (ISDB-S3 standard) compatible PVR converter devices

EPSON®



HITACHI

I-O DATA

MASPRO

NEC

Panasonic

SHARP

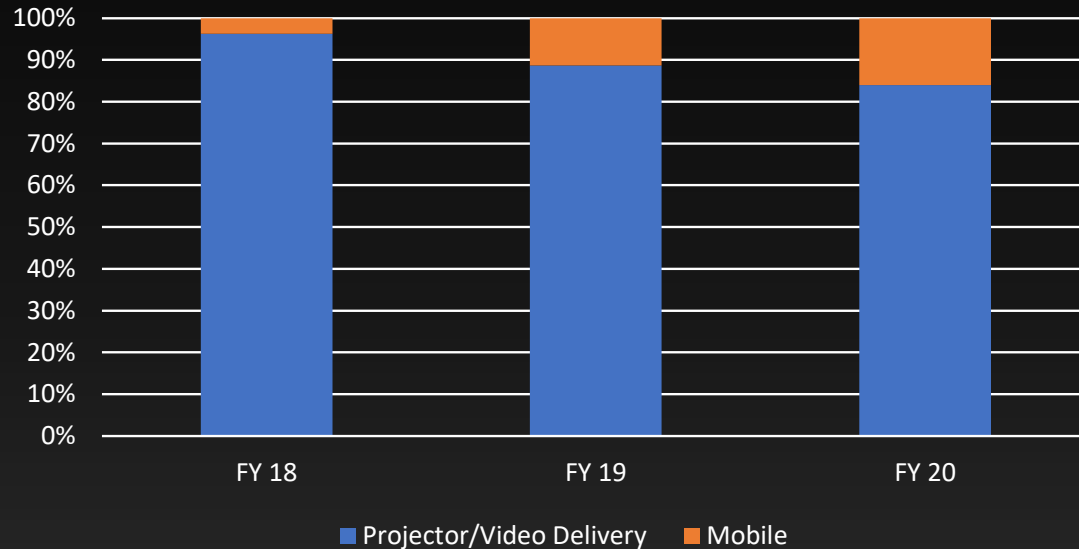
sling

SONY

TOSHIBA

Overall Revenue Trend by Segment

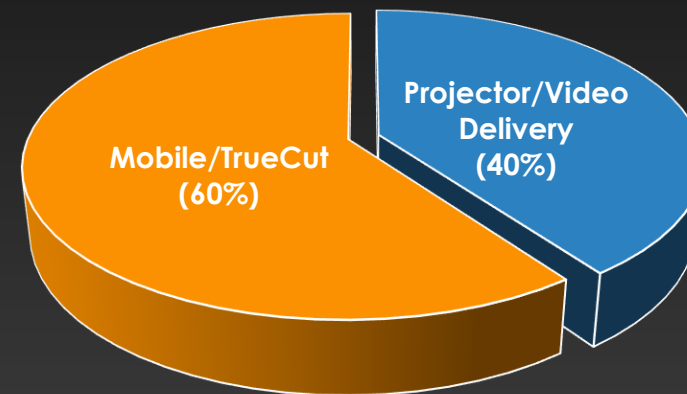
Historic Revenue Mix



Mobile growth contributing to increased portion of total revenue mix:

- ▶ 32% of total revenue in Q2 2021
- ▶ 29% of TTM revenue

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



Non-GAAP P&L Trend

	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21 Outlook*
Revenue	\$9,253	\$8,189	\$9,637	\$9,270	\$14,051	\$14M-\$16M
Gross Margin (1)	\$5,473	\$4,557	\$4,778	\$4,050	\$7,404	
Gross Margin %	59.1%	55.6%	49.6%	43.7%	52.7%	52% - 55%
R&D (2)	5,508	5,242	5,727	6,204	6,061	
SG&A (3)	3,770	3,632	3,794	4,021	4,024	
Total Opex (4)	9,278	8,874	9,521	10,225	10,085	\$10M-\$11M
Income/(Loss) from Operations	(3,805)	(4,317)	(4,743)	(6,176)	(2,681)	
Other Income (5)	(24)	(28)	6	56	182	
Tax Provision	89	111	197	236	104	
Net Income/(Loss)	(3,917)	(4,456)	(4,934)	(6,356)	(2,604)	
EBITDA	(2,934)	(3,457)	(3,761)	(5,160)	(1,775)	
Net Income/(Loss) per share	(\$0.10)	(\$0.11)	(\$0.11)	(\$0.12)	(\$0.05)	(\$0.07)-(\$0.02)

Balance Sheet Trend

	Q2 20	Q2 21
Assets		
Cash and Investments	\$21,409	\$23,625
Accounts Receivable	5,926	6,351
Inventories	4,767	1,577
Property, Plant & Equipment	6,138	3,900
Operating Lease Assets	7,324	6,013
Goodwill	18,407	18,407
Acquired Intangibles	1,955	631
Prepaid Expenses & Other Assets	3,047	2,880
Total Assets	\$68,972	\$63,383
Liabilities		
Accounts Payable	\$1,071	\$2,664
Accrued Payroll Liabilities	3,013	2,952
Operating Lease Liabilities	7,411	6,580
Other Accrued Liabilities	7,406	3,960
Income Taxes Payable	2,491	2,812
Line of Credit	4,329	-
PPP Loan	797	-
Shareholders Equity	42,454	44,413
Total Liabilities and Shareholder's Equity	\$68,972	\$63,383

Pixelworks Shanghai Q3 Fundraising Expectation

- ▶ \$20.0M MTM
- ▶ \$3.1M Verisilicon
- ▶ \$3.1M Canaan
- ▶ \$4.6M Chipone Technology
- ▶ \$12.3M Employee Ownership Plan

GAAP/Non-GAAP Reconciliation

	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21
(1) Excludes:					
Amortization of acquired intangible assets	298	298	298	245	218
Stock-based compensation	127	117	87	79	76
Restructuring	-	165	7	-	-
(2) Excludes stock-based compensation	806	820	669	581	610
(3) Excludes:					
Stock-based compensation	1,310	913	1,000	772	820
Amortization of acquired intangible assets	76	76	76	60	53
(4) Excludes Restructuring	-	1,430	19	-	-
(5) Excludes gain on PPP loan extinguishment	-	-	796	-	-



Thank You

pixelworks®