

Corporate Overview

June 2018



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, 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)
- › Driving new growth through Mobile and Video Delivery



Recent Developments

- › Shipping 3rd and 4th gen Iris Mobile processor
- › 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



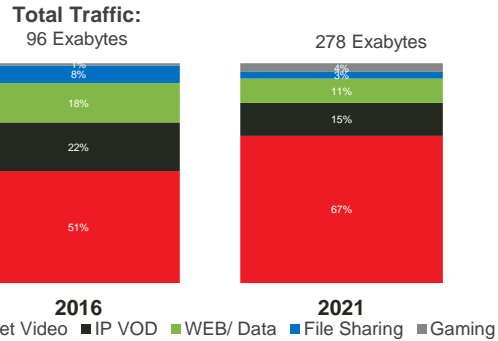
Pixelworks' Opportunities in the New Video Ecosystem

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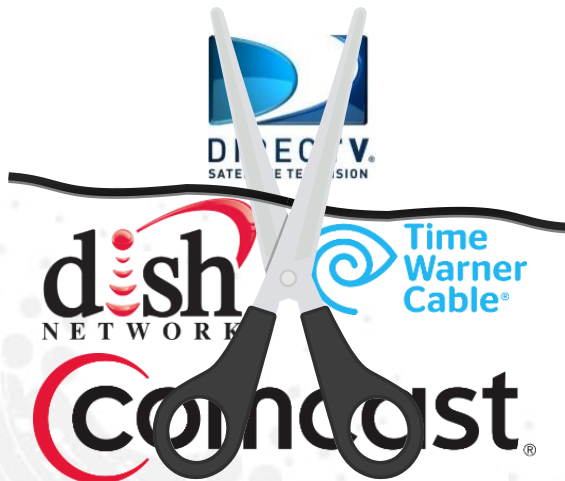
Video Content Exploding

Global IP Traffic

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



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

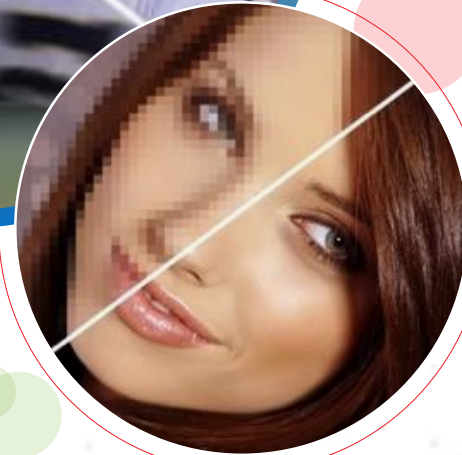
True View™

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

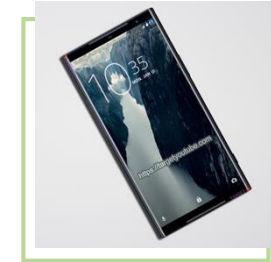
- › Mobile video is not controlled end-to-end
- › Need for bandwidth optimization
- › Need for better picture quality



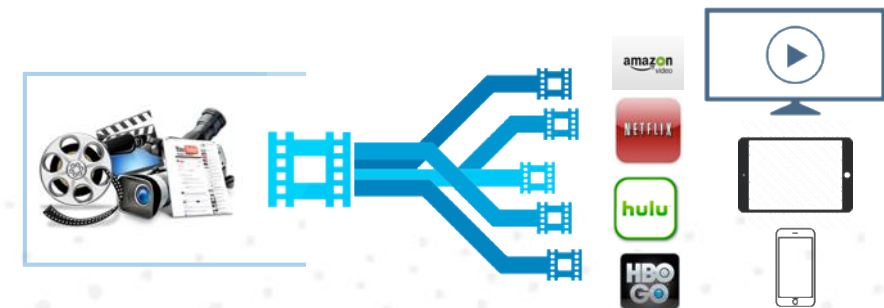
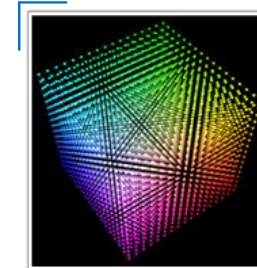
iPhone X, iPhone 8, 8-Plus



Samsung
Galaxy S9



Sony
Xperia XZ2

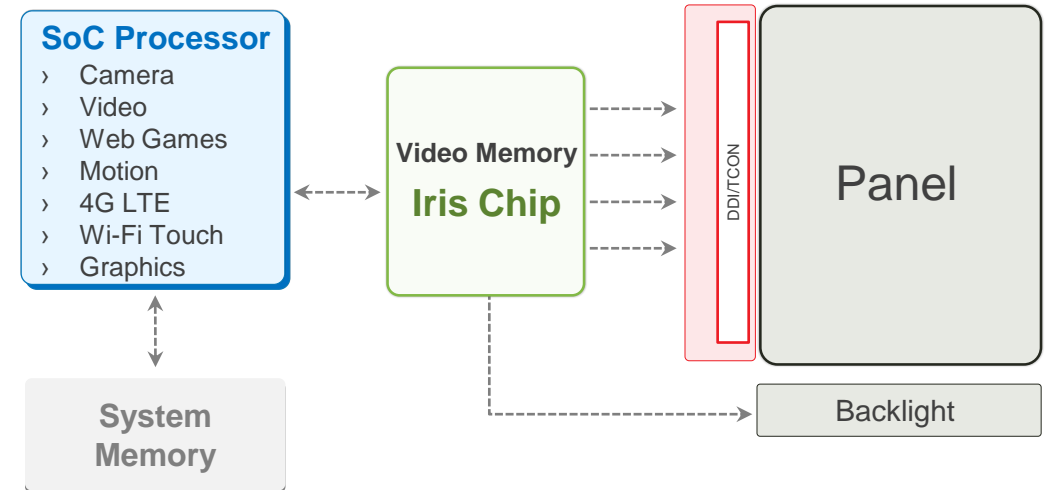


Mobile Solution - Iris Architecture at the Core



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

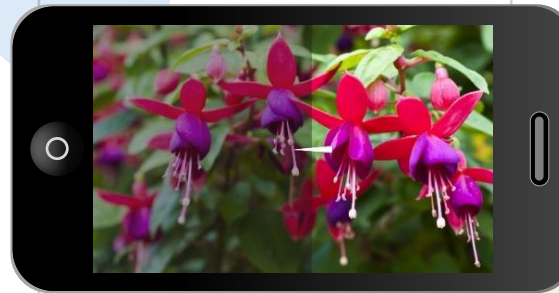


Limited Video Processing
Discrete Memory
Frame buffer in panel
Increased Panel Costs
Complex Supply Chain



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



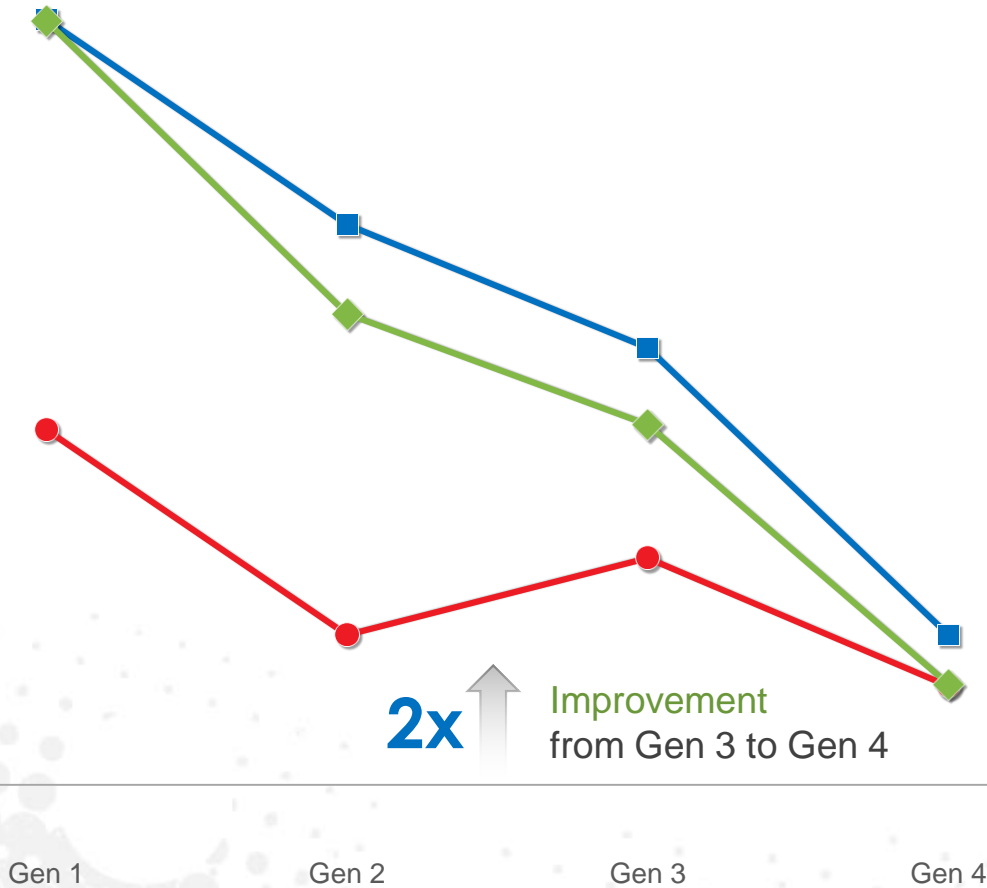
Price



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
- ❑ Color calibration for indiscernible variations in accuracy
- ❑ Comprehensive tone-mapping pipeline for HDR10 videos
- ❑ Sophisticated contrast management and sharpness

ASUS ROG Phone

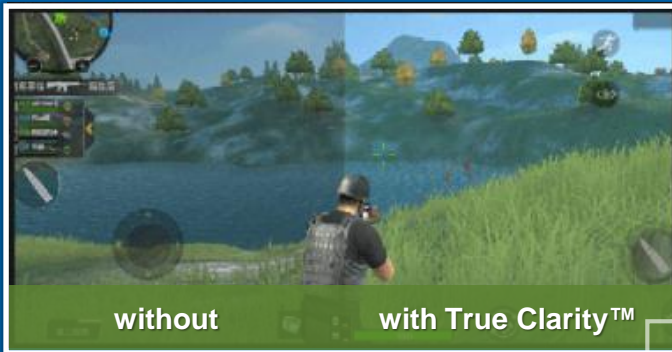


ZenPad™ Z8

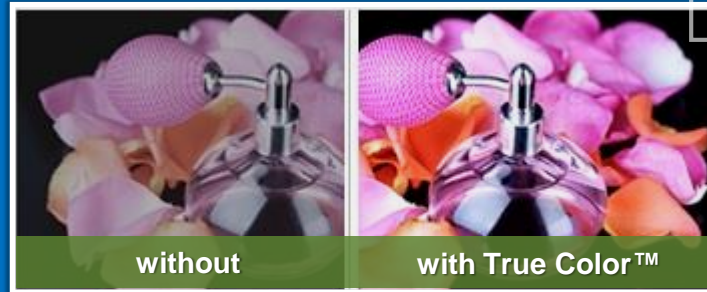


ZenPad™ Z10

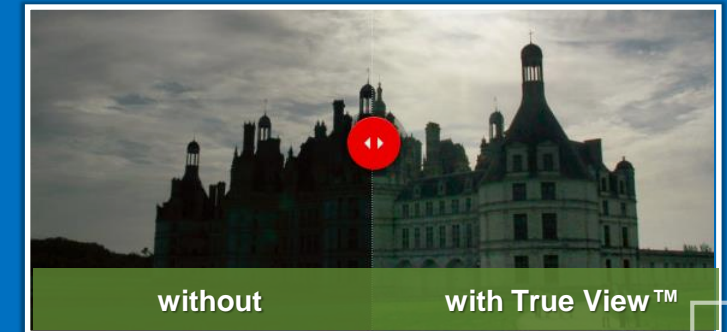
(exclusively at Verizon Wireless)



Clear, blur-free motion



Sharper, lifelike images with color accuracy



200% wider contrast levels

Pixelworks Features Ideal for the Gaming Phone Market

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Gaming Phones Differentiating with Pixelworks

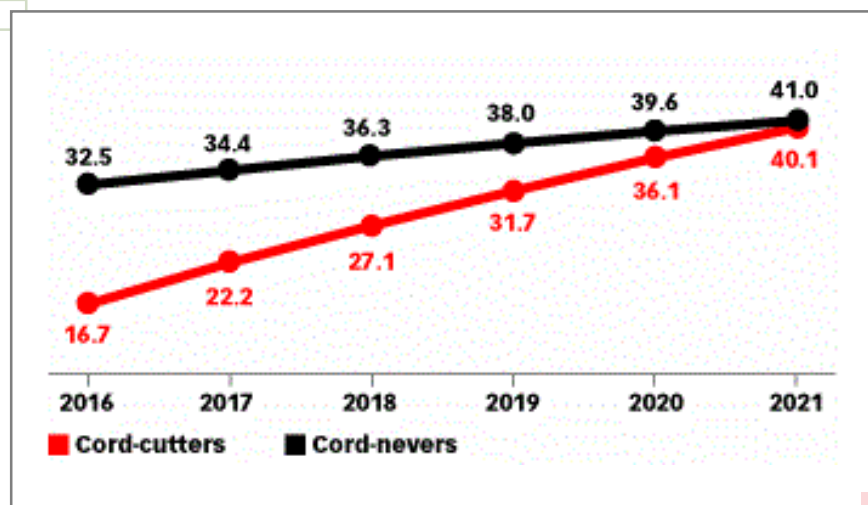
- Xiaomi Blackshark launch (top row) from April'18 highlighting Pixelworks features at launch
- ROG Phone launch (bottom image) at Computex 2018
- Better picture quality, smoother gaming performance, HDR, SDR to HDR, truer game colors, auto adaptive display are all valuable features to this market



Video Delivery Market & Opportunity

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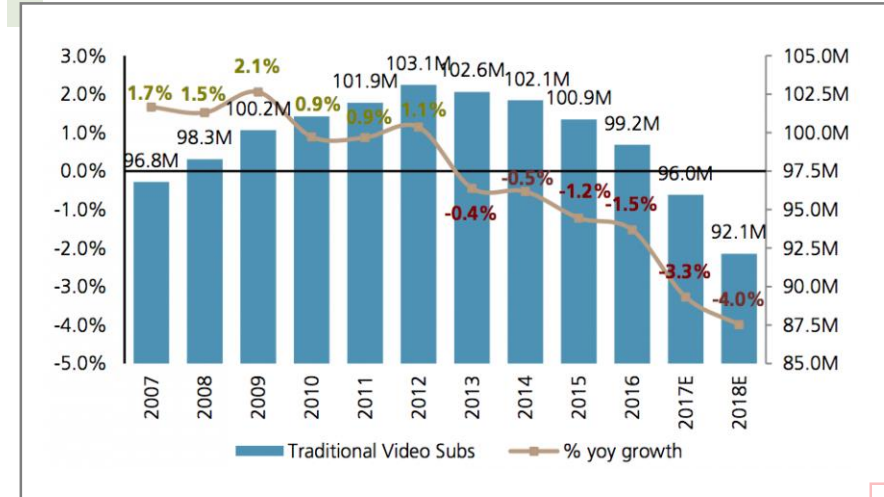
 US Pay TV Non-viewers, by Type, 2016-2021
(Millions)



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

“

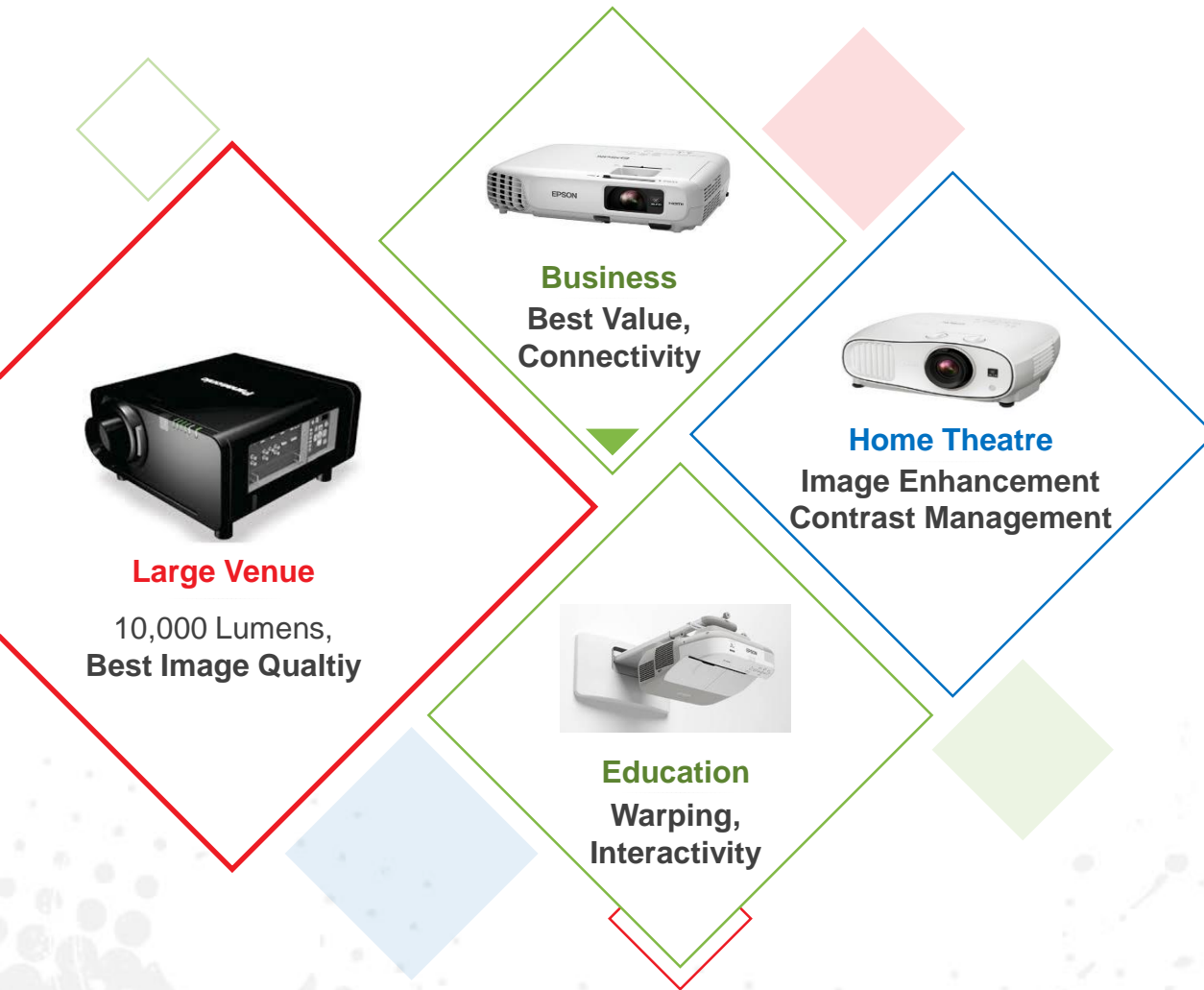
A new generation of media consumers has risen, demanding content delivered when they want it, how they want it and very much as they want it

Rupert Murdoch

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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

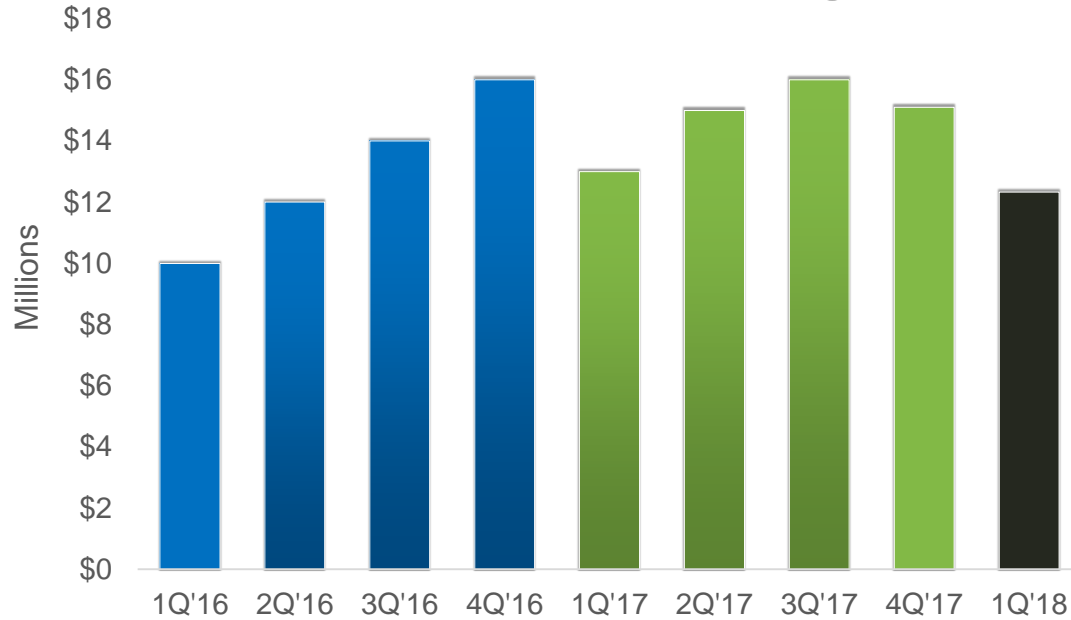
ViewSonic

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

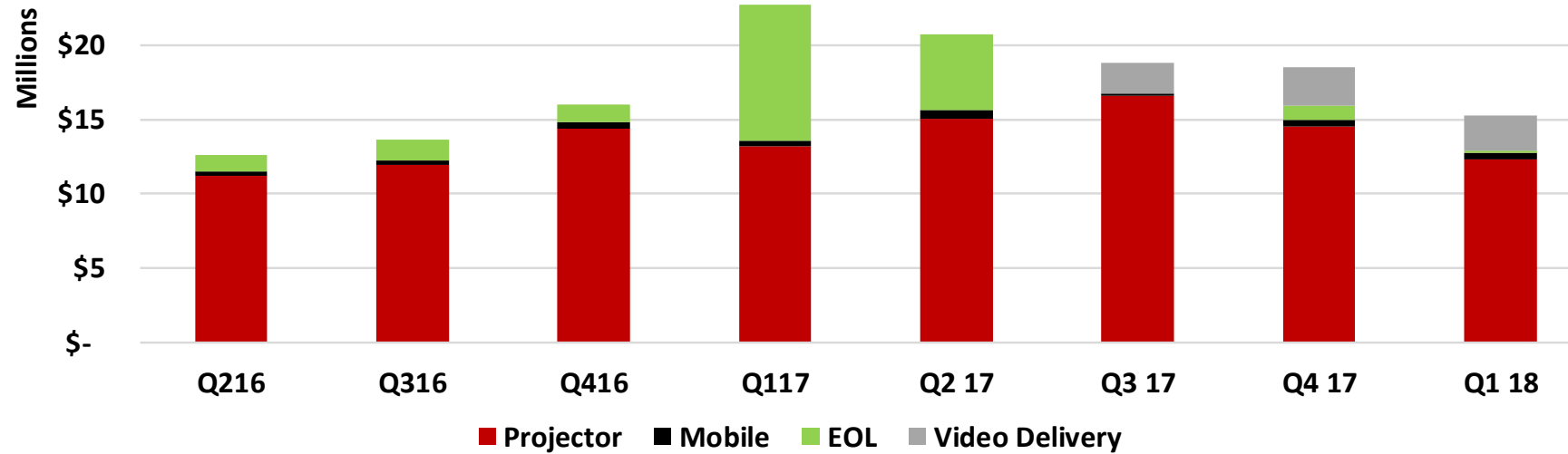


Future Market Opportunities

- › 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
Revenue	\$12.6	\$13.7	\$16.0	\$22.7**	\$20.7**	\$18.8	18.5**	\$15.3
Gross Profit % (non-GAAP)	51.6%	48.6%	53.6%	54.8%	54.4%	54.9%	56.9%	54.2%
EPS (non-GAAP)	(\$0.03)	(\$0.02)	\$0.04	\$0.12	\$0.10	\$0.03	(\$0.01)	\$0.00
EBITDA (non-GAAP)	\$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
Assets			
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
Total Assets	\$30,857	\$67,543	\$62,463
Liabilities			
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
Total Liabilities & Shareholders' Equity	\$30,857	\$67,543	\$62,463

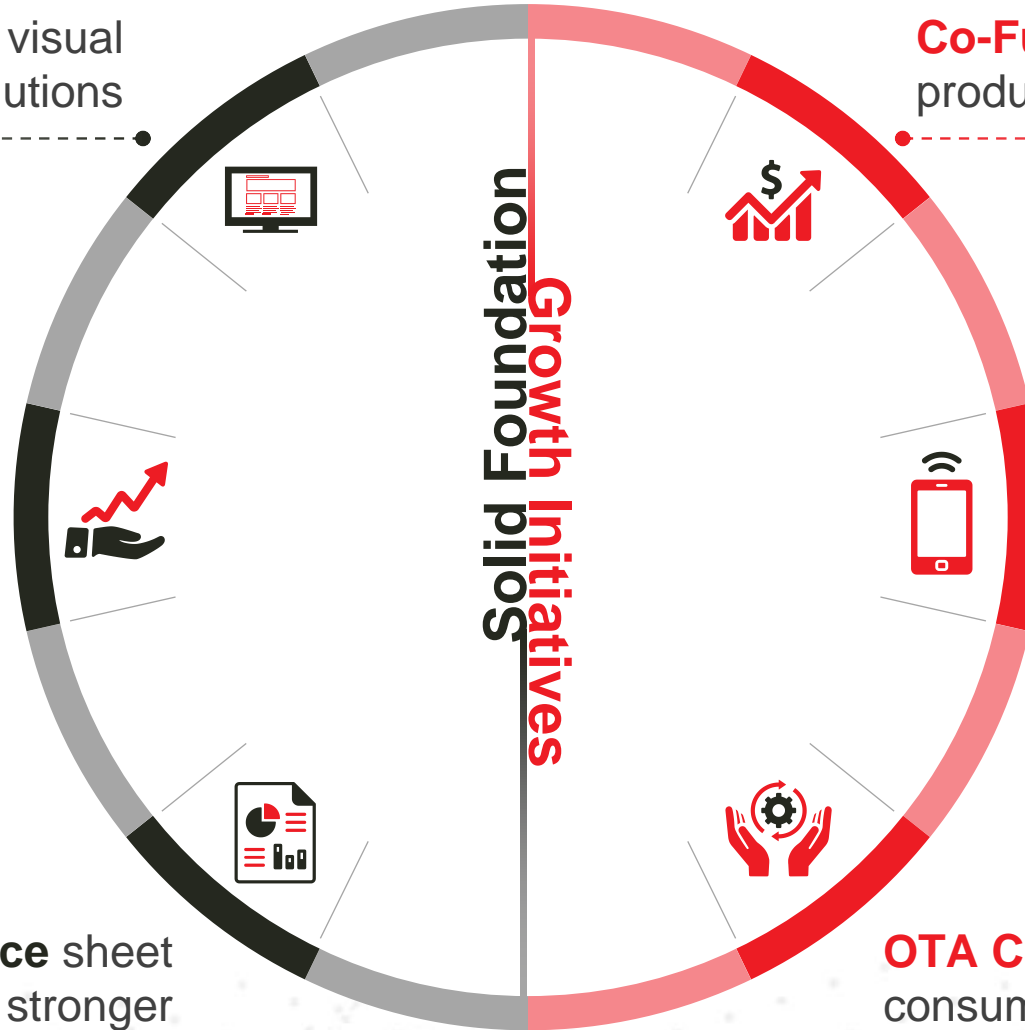
Foundation for Growth & Profitability

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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

