

Corporate Overview

November 2018



Cautionary Statements & other Disclosures

2

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 Q3 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 growth through Mobile and Video Delivery



Recent Developments

- › Shipping 3rd and 4th gen Iris Mobile processor
- › Ramping shipment of XCode transcoding chips
- › Growing pipeline of engagements in Mobile and Video Delivery
- › Revenue up 14% Yr/Yr in 3Q'18
- › GPM over 54% in 3Q'18
- › Profitable and generated \$3.6M in cash flow from operations in 3Q'18

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

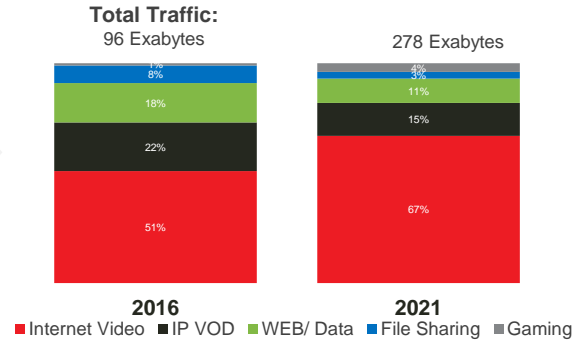


Pixelworks' Opportunities in the New Video Ecosystem

Video Content Exploding

Global IP Traffic

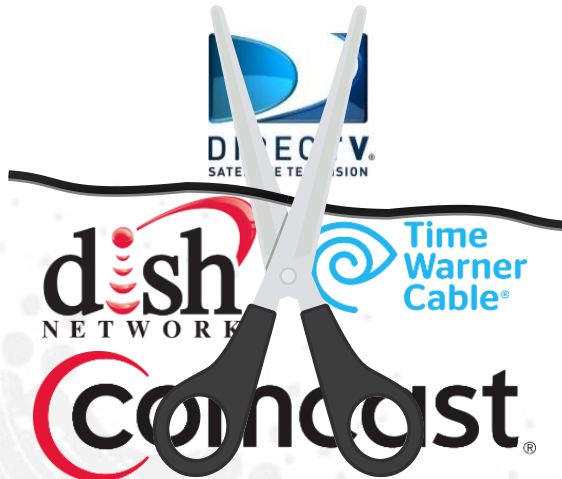
BY 2020, video on the internet will eat up a bigger share of increased web traffic



Source: Cisco



Video Delivery Methods Multiplying



Major Video Streaming Services



Streaming Media Players



Video Watching Patterns Changing



Delivering Authentic Video Experience

5



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

6

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

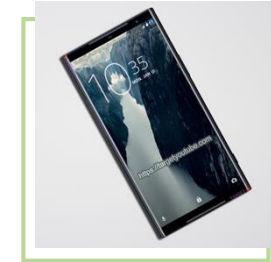
- › Mobile video is not controlled end-to-end
- › Need for bandwidth optimization
- › Need for better picture quality



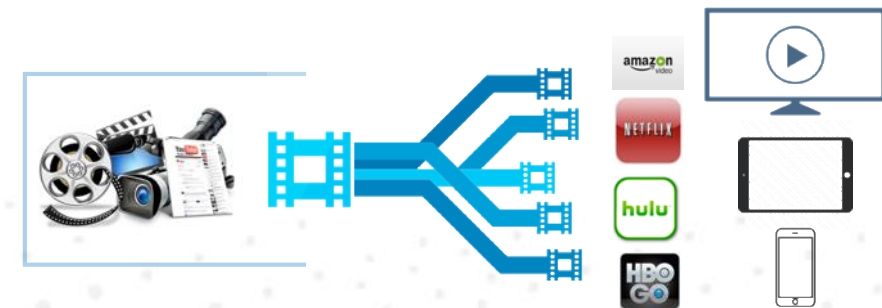
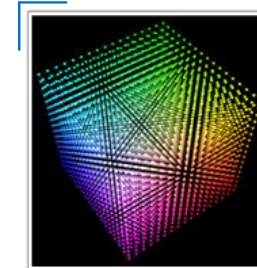
iPhone X, iPhone 8, 8-Plus



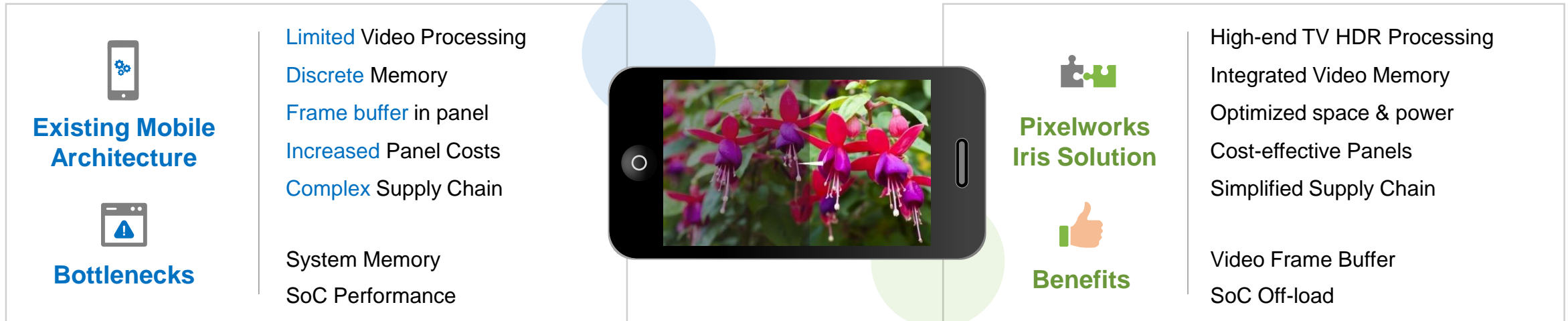
Samsung
Galaxy S9



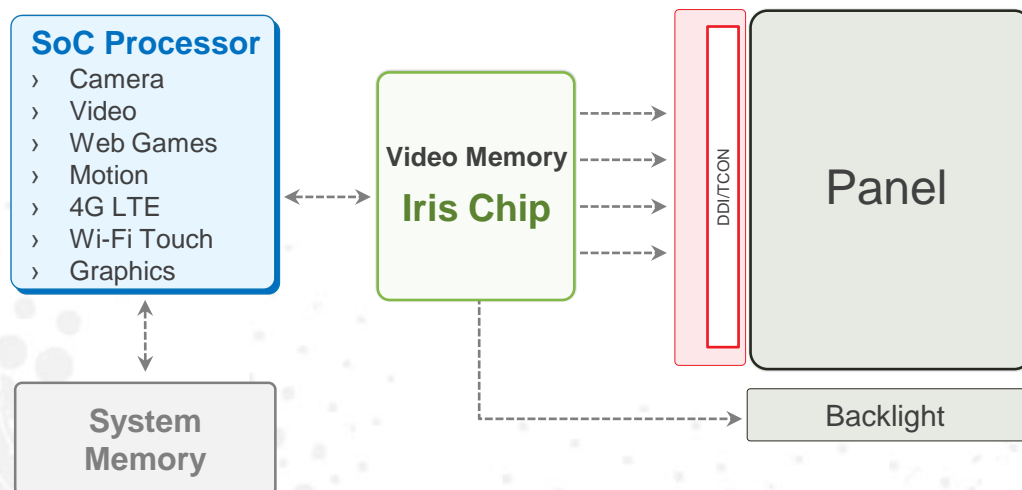
Sony
Xperia XZ2



Iris Advanced Visual Processing Technology



Optimized Mobile Display Architecture with Iris



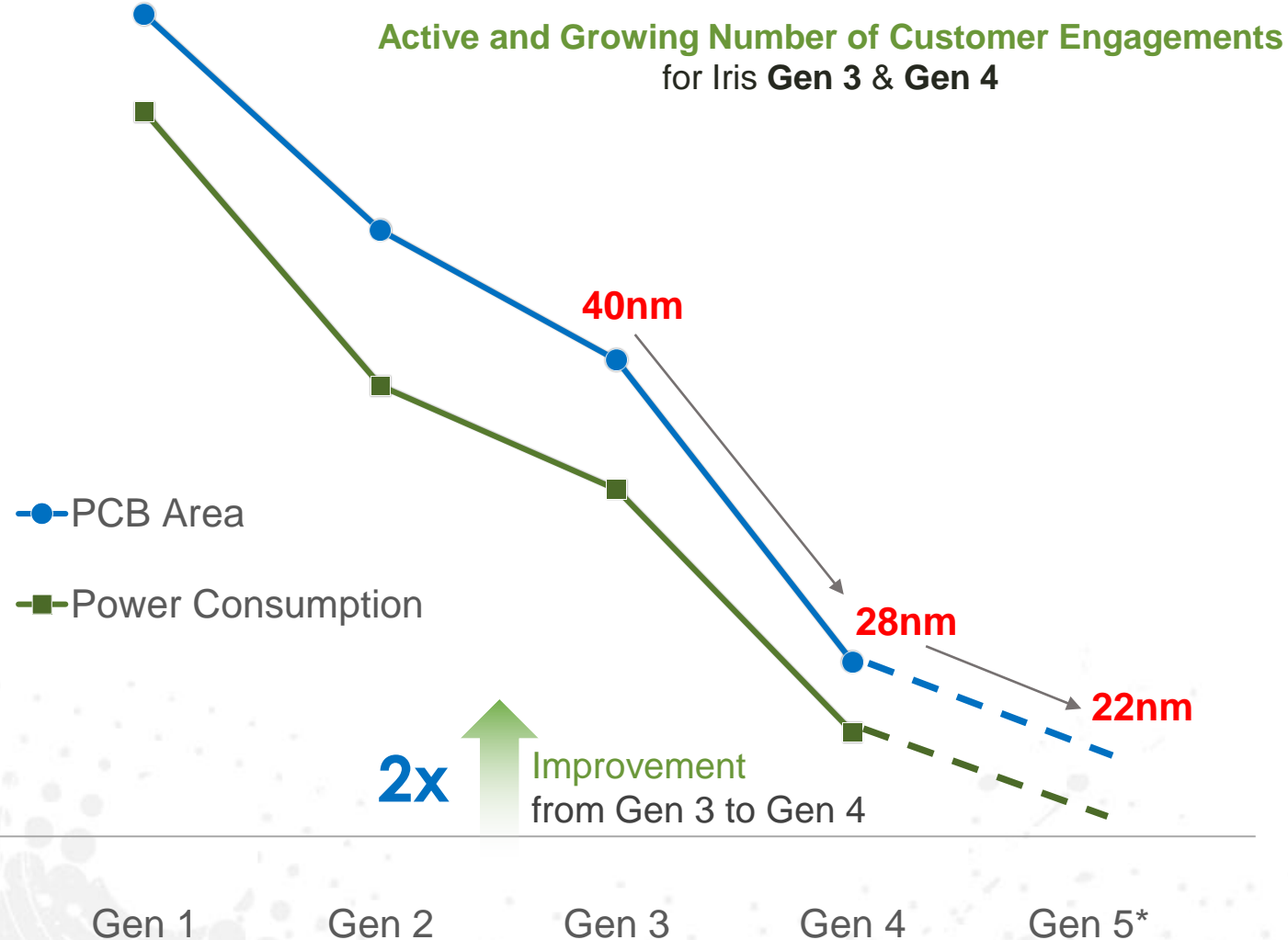
Key Features

- Smooth, blur Free Motion
- Certified HDR10
- Real-time SDR to HDR Conversion
- Local Sharpness Enhancement
- Auto Adaptive Displays
- Tone Adaptive Displays
- Accurate Color Calibration



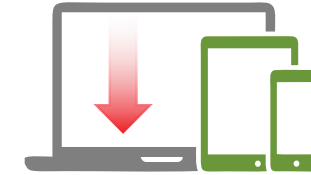
Iris Progression to Meet Mobile Market Demands

9

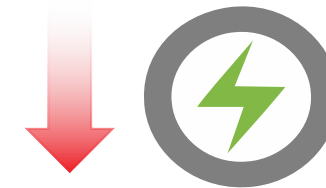


*Iris Gen 5 expected to tape-out in 4Q'18

Path to Broader Adoption



Reduce size of device
Lower BoM cost & required real estate



Reduce Power Consumption
Chip design & software with expanded features

Iris Momentum – 5 Launches in 6 months



Black Shark “Shark”
April 2018



ASUS ROG
June 2018



ZTE Axon 9 Pro
August 2018



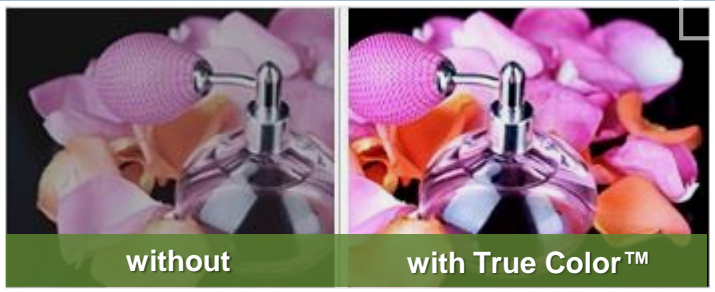
Nokia 7.1
October 2018



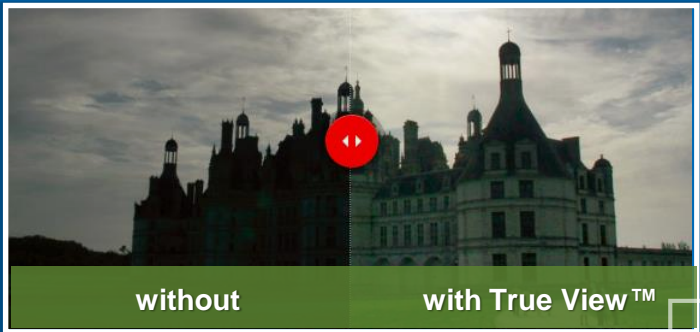
Black Shark Helo
October 2018



Clear, blur-free motion



Sharper, lifelike images with color accuracy



200% wider contrast levels

Pixelworks Features Ideal for the Gaming Phone Market

11

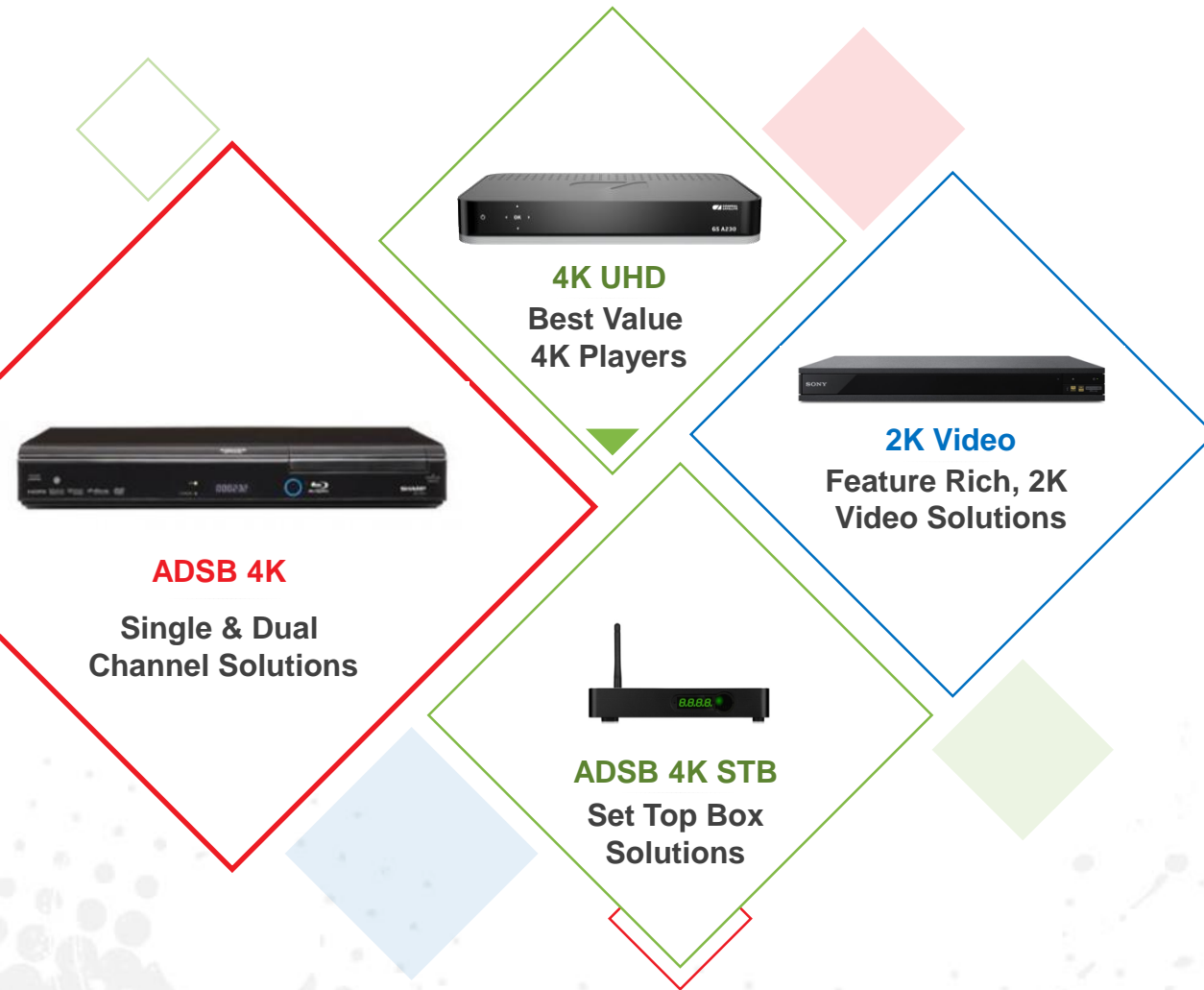


Gaming Phones Differentiating with Pixelworks

- Xiaomi Black Shark launch (top row) from April '18 highlighting Pixelworks features at launch
- ROG Phone launch (bottom image) in June '18 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 Deliver – Consumer Electronics in Japan

12



Pixelworks' best in class transcoding, encoding and decoding technology deliver the building blocks for advanced media-based products

Pixelworks' 4K solutions have been specifically designed for the Ultra HD Blu-ray player market, providing all the necessary security and Ultra HD video processing

Primary Market Drivers



Growth of 4K Content



Introduction of 4K ADSB Broadcast TV
(carrier transition to ISDB-S3 standard)

Mature Market



2Mu annually



Long Product Cycles, Limited Competition

SHARP

FUNAI

SONY

TOSHIBA

Video Delivery – Cord Cutter OTA Solution

13

1

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

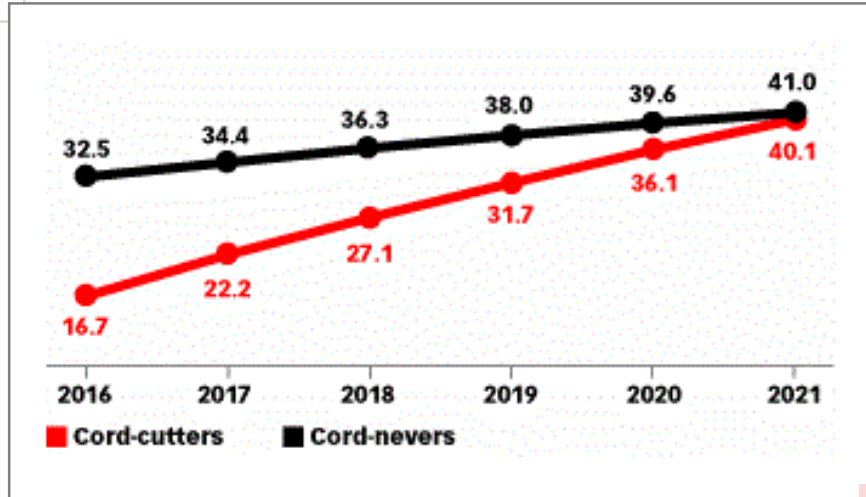
2

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



Video Delivery – U.S. Market & Opportunity

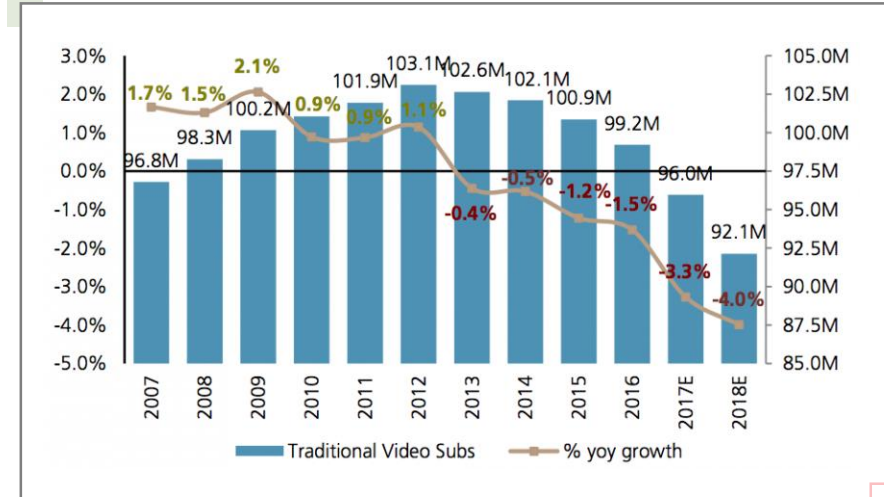
 US Pay TV Non-viewers, by Type, 2016-2021
(Millions)



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

“

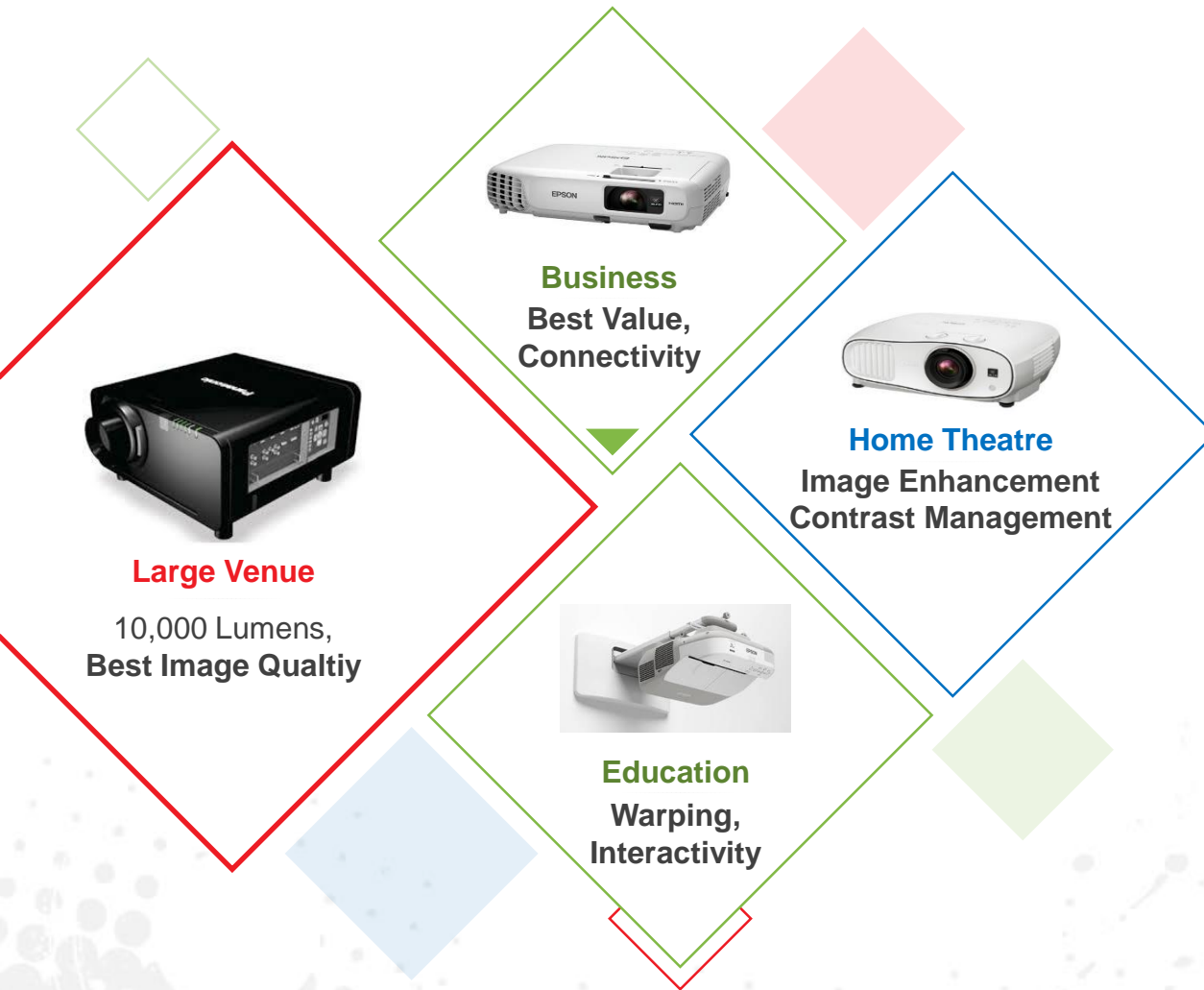
A new generation of media consumers has risen, demanding content delivered when they want it, how they want it and very much as they want it

Rupert Murdoch

pixelworks®
PIXEL PERFECTION

Projectors – Solution & Market

15



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

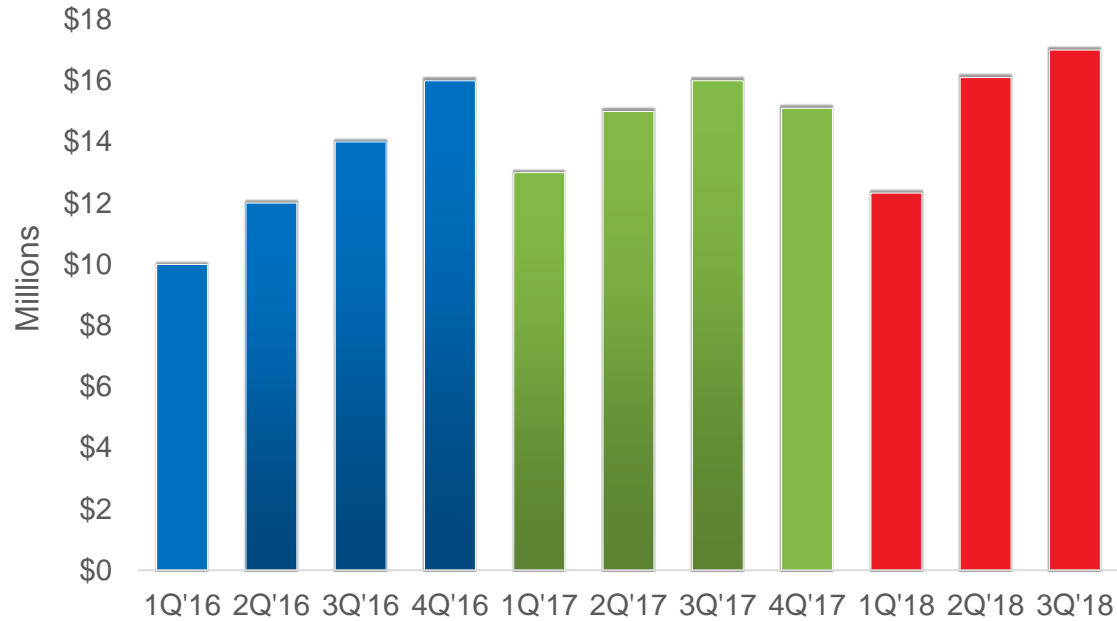
Panasonic

ViewSonic

pixelworks®
PIXEL PERFECTION

Digital Projection: Pixelworks Performance

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



2018 & 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

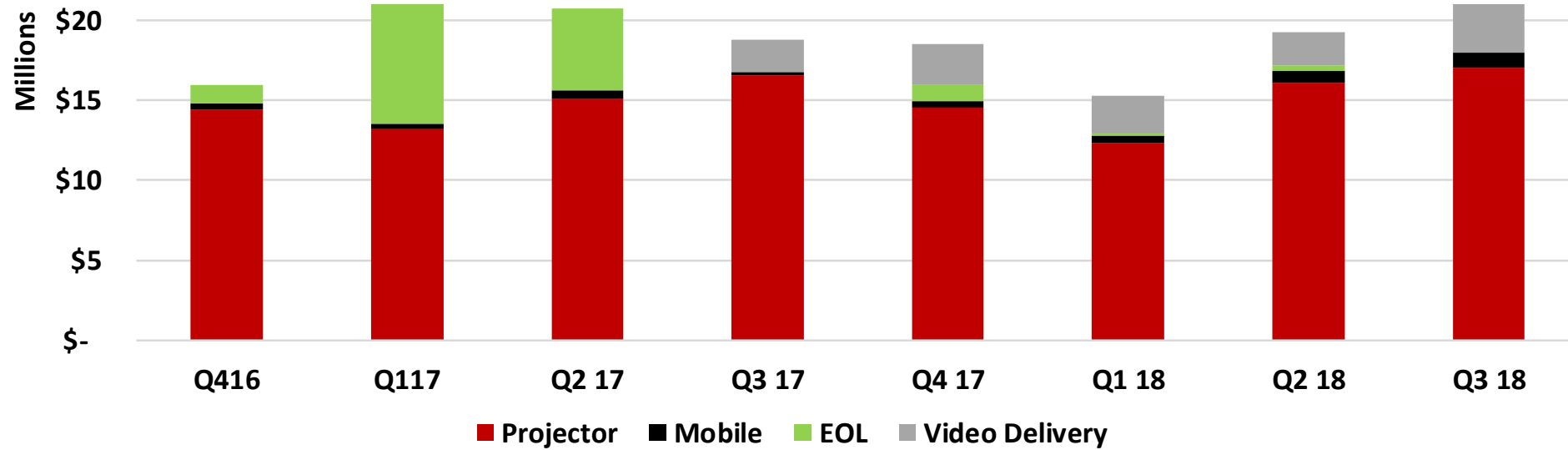


Future Market Opportunities

- › 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

	Q4 '16	Q1 '17	Q2 '17	Q3 '17	Q4 '17	Q1 '18	Q2 '18	Q3 '18
Revenue	\$16.0	\$22.7**	\$20.7**	\$18.8	18.5**	\$15.3**	\$19.3**	\$21.5
Gross Profit % (non-GAAP)	53.6%	54.8%	54.4%	54.9%	56.9%	54.2%	52.7%	54.7%
EPS (non-GAAP)	\$0.04	\$0.12	\$0.10	\$0.03	(\$0.01)	\$0.00	(\$0.00)	\$0.07
EBITDA (non-GAAP)	\$2.1	\$5.0	\$4.7	\$2.3	\$0.8	\$1.3	\$1.1	\$3.8

**Q1'17, Q2'17, Q4 '17 , Q1 '18 and Q2 '18 results included approximately \$9.2M , 5.1M, \$1M, \$144K and \$318K of EOL revenue, respectively.

Balance Sheet

	Q2 '18 A	Q3 '18 A
Assets		
Cash and Investments	\$20,169	\$24,126
Accounts Receivable	6,588	5,771
Inventories	2,890	3,041
Property, Plant & Equipment	5,299	5,062
Goodwill	18,407	18,407
Acquired Intangibles	5,058	4,607
Prepaid Expenses & Other Assets	3,439	3,074
Total Assets	\$61,850	\$64,088
Liabilities		
Accounts Payable	\$2,931	\$2,187
Other Liabilities	14,513	14,698
Income Taxes Payable	2,705	2,550
Shareholders Equity	41,701	44,653
Total Liabilities & Shareholders' Equity	\$61,850	\$64,088

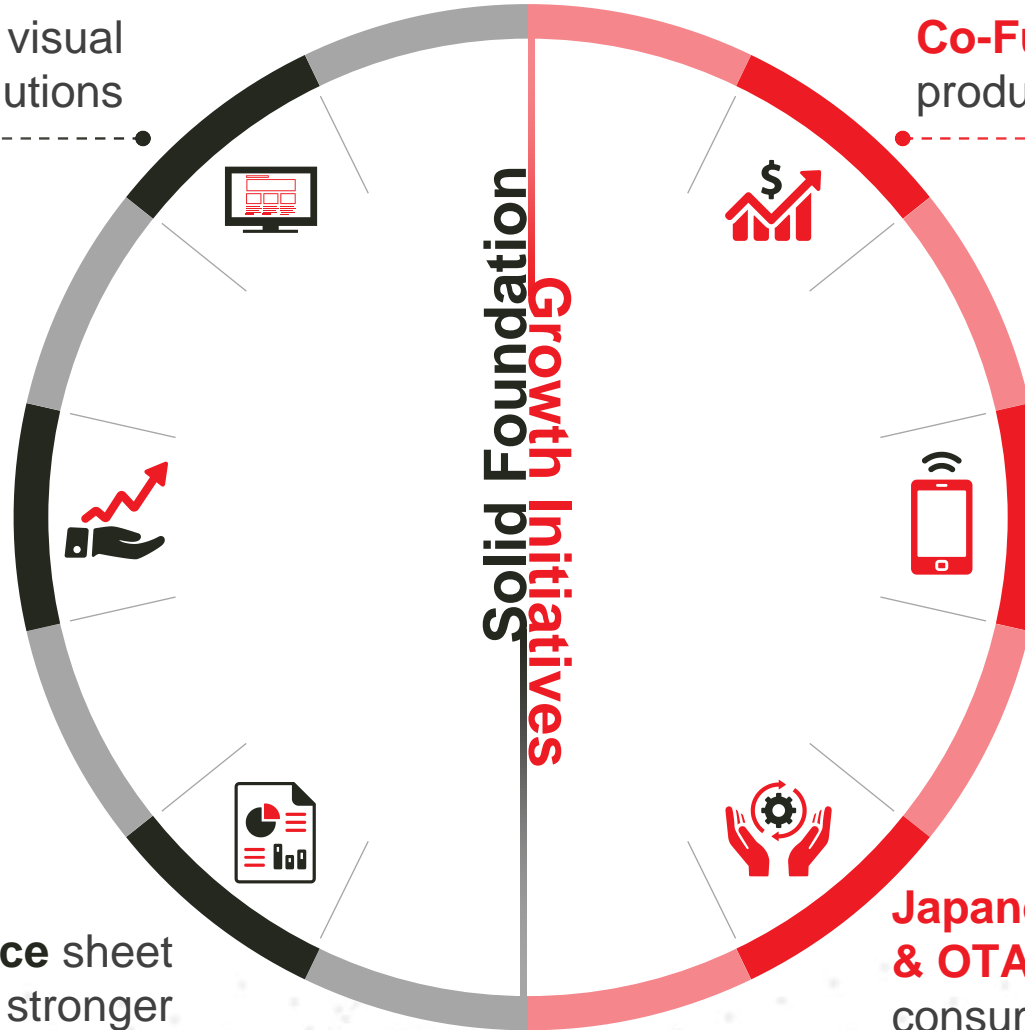
Foundation for Growth & Profitability

20

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

Japanese Consumer Electronics & OTA Cord Cutter initiatives for consumer Video Delivery markets

THANK YOU

