Call Participants

EXECUTIVES

Marc Whitten
President, CEO & Director

Peter L. Goldmacher
Vice President of Investor Relations

Robert J. Park
Senior VP & CFO

ANALYSTS

Patrick William Sholl
Barrington Research Associates, Inc., Research Division

Ralph Edward Schackart
William Blair & Company L.L.C., Research Division

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Presentation

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Dolby Laboratories Conference Call discussing Q4 fiscal year 2026 financial results. [Operator Instructions] As a reminder, this call is being recorded, Tuesday, November 17, 2026.

I would now like to turn the conference over to Mr. Peter Goldmacher, Vice President of Investor Relations. Peter, please go ahead.

Peter L. Goldmacher
Vice President of Investor Relations

Good afternoon. Welcome to Dolby Laboratories Fourth Quarter 2026 Earnings Conference Call. Joining me today are Marc Whitten, Dolby Laboratories CEO; and Robert Park, CFO.

As a reminder, today's discussion will include forward-looking statements, including our fiscal 2027 first quarter and full year outlook, management's expectations for future performance and other statements regarding our plans and opportunities. These statements are subject to risks and uncertainties that may cause actual results to differ materially from the statements made today, including, among other things, changes in customer demand, changes in law and regulation, and the impact of macroeconomic events on our business.

A discussion of these and additional risks and uncertainties can be found in our earnings press release as well as in the Risk Factors section of our most recent Form 10-K or 10-Q. Dolby assumes no obligation to update any forward-looking statements. During today's call, we will discuss non-GAAP financial measures. These measures should be considered in addition to and not as a substitute for GAAP measures. A reconciliation between GAAP and non-GAAP financial measures is available in our earnings press release and in the interactive analyst center on our Investor Relations website.

Additionally, we have prepared an earnings presentation that will be accompanying our prepared remarks. This presentation will also be available on the website.

With that, I'd like to turn the call over to Marc.

Marc Whitten
President, CEO & Director

Thank you, Peter, and thanks to everyone tuning in. I'm excited to be here with you today on my first earnings call. I joined Dolby Laboratories as Chief Executive Officer this past August, inspired by the opportunity to build on its 6 decades of success as an industry pioneer and global leader in immersive entertainment, audio and imaging technology and signal processing. For those of you who I've not had the chance to meet, allow me to provide a little background. I've spent my 30-plus-year career building, scaling and transforming media businesses through leadership roles at Microsoft with Xbox, Amazon with Fire TV, Meta, Sonos and Unity. In those roles, I've helped connect creators, partners and consumers into some of the largest and most innovative content ecosystems in the world. I've led businesses through rapid change and significant and profitable growth. And I've been a Dolby customer many times over, licensing its technology in support of creating a more powerful and differentiated user experience.

As someone who has spent his career following and using Dolby's industry-leading products, I'm here because I believe we have a unique opportunity to grow and scale this great brand. This is enabled by our mission-driven people, our technology expertise and IP, and our deep long-standing partnerships.

In my first 2.5 months at Dolby, I've met countless valued partners and employees. I've spent time understanding what we are doing well, where we have the right to win and what we must do to adapt in order to capture the opportunities in front of us. My conclusion is clear. Dolby has a highly durable and valuable licensing franchise. It has differentiated technology, exceptional partner relationships and the financial capacity to invest in growth.

Our opportunity now is to operate with greater focus, to extend our leadership into the AI era and to identify and capture additional scalable sources of profitable growth. The time I spent with our employees and our partners has further reinforced my excitement to be a part of Dolby. Partners like Netflix, Meta, Mercedes-Benz, CANAL+, AMC, Toho, and Warner Bros. consistently highlight the trusted relationship between our companies and the deep Dolby capability for quality and differentiated experiences.

These companies, like many others, have often been first to partner with Dolby in delivering incredible new experiences. I've heard stories of how in key moments such as the first time a game is broadcast in Dolby or new cars launched with Dolby Atmos or movie

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

premieres screened in Dolby Atmos and Dolby Vision, that our partners feel better knowing that Dolby consistently delivers the highest quality experience, but also that we're there with them throughout the entire journey as a subject matter expert and trusted strategic partner.

I've spoken to hundreds of our employees. The consistency of pride in Dolby in our mission and in the push to continue to raise the bar in immersive experiences is incredible. This is the heritage of Dolby and I hear these stories from Dagmar Dolby and from people like Jeffrey Riedmiller, a Dolby fellow, who has helped lead the entire entertainment industry from analog to digital to broadcast to streaming core technologies and who is hard at work with the team on what codec, transports and other critical infrastructure looks like in a future propelled by AI.

And I also hear it from our new employees, like Dr. Tica Lin, who's researching multimodal AI and human-computer interaction. And our interns like Sanish Kasha, who's working on ways Dolby helps companies connect even more deeply with their customers. The passion for and conviction in Dolby is everywhere. And why is this? We pair mission-driven talent with deep technology expertise, a robust partnership capability and strong financial resources.

Dolby has over 30,000 patents globally, and we generate thousands more every year. This IP is a testament to the depth and breadth of our technical leadership, and it's central to how we enable partners to deliver meaningful experiences. Dolby has delivered a steady stream of innovative technologies and tools that enable artists to expand their creative palettes and gives consumers the best entertainment possible.

Put simply, our expertise has earned us the right to be in the center of a very broad and deep ecosystem. Whenever people see the Dolby logo, whether it's on their phone, in a movie theater, on a TV, a car, on smart glasses or even on their social media, they know Dolby stands for the highest quality sight and sound. Our partnership muscle means that Dolby technology and the IP lives deeply embedded on many billions of devices. Dolby Atmos and Dolby Vision are becoming the standard for music, TV and movies. Our patent licensing business offers core enabling technologies for modern media delivery.

And our cinema experience consistently outperforms every other premium format, and there are over 8 million cars on the road with Dolby Atmos, on and on. Our Q4 highlights make the point. We recently announced that in wearables, Meta AI glasses can now capture audio and share it on Instagram in Dolby Atmos. Our longtime partner, Apple, now streams Formula 1 in Dolby Vision and Dolby Atmos, the most immersive F1 experience possible short of going to a race.

Globally, partners like Volkswagen, Kia and Hyundai continue to deploy Dolby Atmos deeper in their lineups, allowing mainstream buyers to have an extraordinary in-cabin experience. We also launched our first car in India with Mahindra that includes both Dolby Atmos and Dolby Vision. In cinema, for 52 consecutive weeks, every #1 domestic box office film has been playing in Dolby Cinemas. This includes Spider-Man: Brand New Day, which set Dolby's highest domestic opening box office weekend ever. This illustrates strong consumer demand for films created in Dolby Atmos and Dolby Vision and our premium moviegoing experience.

Artists continue to explore how Dolby Atmos gives them more range to deliver their content. A couple of examples in this quarter, Taylor Swift, released the Deluxe edition of The Life of a Showgirl, and Miley Cyrus released her 11th studio album, Bass Persuades, in Dolby Atmos. And my team, the Super Bowl LX Champion, Seattle Seahawks, announced that they're using Dolby OptiView to stream content in Dolby Vision on the Seahawks mobile app.

And lastly, the Video Distribution Patent Program grew to include 47 licensors. The VDP now licenses to some of the largest global social media platforms like Meta and Alibaba. Dolby is where creators, partners and consumers come together around amazing immersive experiences. But we can and we will do much more. Our talent, technology, IP, reach and financial resources means that Dolby should lead the media industry. And I'll have much more to talk about this focus in the months to come.

For now, I want to share my near-term priorities. The first priority is fostering a high-performance culture. Our efforts here will be reenergizing the Dolby spirit of entrepreneurship, results and focus. This will include clear priorities, a greater focus on measurable outcomes and strong accountability. Periods of rapid industry change always require passionate reinvention. The good news is this is how Dolby was founded and we will work to raise the bar for ourselves in pursuit of how we deliver for creators, consumers, partners and shareholders.

The second priority is simplifying our how. Dolby serves a complex ecosystem and delivers incredibly deep technological solutions. It's incumbent on us to be as efficient and simple as possible. This means reducing internal friction, eliminating unneeded bureaucracy and ultimately reducing the distance between the lab and our customers, partners and creators.

This includes driving AI across our internal operations to deliver significant productivity gains. Doing this work has tangible financial outcomes allowing us to drive the efficiency of our spend and ensuring we make progress as rapidly as possible. But more

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

importantly, it serves to empower our employees so that they have the context, tools and permission to move at speed and to deliver on the Dolby promise.

Our third priority is leading in the AI era. We have been a part of every major change in the art and science behind audio video experiences for the last 6 decades. And we are now entering the AI era. And once again, Dolby will be a leader. The good news is we already have AI-enabled technology in market, including in Dolby Vision 2, Dolby OptiView and Dolby Dialogue Plus.

Internally, in our labs, we have much more. We have active research in foundation models and complex ML systems across voice, video and audio. And we will increasingly lean into this space using our unique Dolby capabilities. AI is a complex topic, where it's possible to both increase the capabilities available to professional creators, deliver tools that make anyone a creator, but also simultaneously create confusion with an overabundance of content and an erosion of trust.

Dolby is positioned for this moment and with the expertise, the trusted relationships and the significant IP around both the science and the art of experiences to help expand what is possible while respecting the critical needs of creators and consumers. Our fourth priority is driving durable and profitable growth. Today, more than 90% of our revenue comes from licensing technology and IP on consumer devices. It's a strong and durable business that generates a lot of cash, and it will play an important role in our future.

Going forward, our plan is to improve our position from a trusted partner in the entertainment landscape to the leader in media. The long-term vision we are developing starts with how and why consumer behavior is changing the way we engage with technology. The enormous volume of content being created brings both opportunity and complexity for creators, distributors and consumers alike.

And this is where we see clear opportunity. Dolby has helped shape every major transition in entertainment from mono to stereo to surround and then spatial audio from analog to digital and from broadcast to streaming. Each technology transition required us to transform the business. Dolby has the scientific expertise, the industry knowledge, the IP and the partner relationships to help address these dynamics, and our capabilities position us well to play a leading role in shaping this revolution as we create and capture more value for Dolby and our partners.

A high-performance culture, simplified execution, leadership in the AI era and an emphasis on durable and profitable growth are just the beginning of the journey we are on to build on Dolby's strong heritage and achieve even greater heights.

With that, let me provide a high-level overview of our fiscal fourth quarter and full year performance. In Q4, revenue and earnings came in within the range of guidance we provided on the third quarter earnings call. For the full year, revenue grew 5% year-over-year and we expanded operating margins.

While the long-term opportunity shapes our path forward, we are navigating a dynamic macro environment into '27. As we enter the new fiscal year, we expect revenue and operating margins for FY '27 to be flattish. Robert will cover this in more detail shortly. Even in this environment, the durability of our licensing models gives us a solid foundation as we formulate a plan to execute against additional sources of growth.

Our strong balance sheet gives us flexibility, but that flexibility comes with a responsibility to allocate capital carefully. We will evaluate investments against our potential to create sustainable growth and attractive returns while maintaining our commitment to profitability, cash generation and disciplined capital returns.

Let me now turn the call over to Robert to review our financial performance in Q4 and our outlook for fiscal '27 in more detail.

Robert J. Park
Senior VP & CFO

Thank you, Marc, and good afternoon, everyone. Revenue for the fourth quarter was $374 million, within the range of guidance we provided on the third quarter earnings call. Non-GAAP earnings per share was $1.25, also within the guidance range we shared. Licensing revenue was $347 million and included a negative $6 million true-up for prior quarter shipments that came in lower than estimated.

Products and services revenue was $27 million. During the quarter, we generated approximately $85 million in operating cash flow and returned nearly $100 million to shareholders, including $65 million through share repurchases and $34 million through dividends.

Turning to the full year fiscal '26 results. We delivered revenue of $1.42 billion, up 5% year-over-year and non-GAAP EPS of $4.36. Normalizing for the impact of onetime tax benefits, EPS grew 9% year-over-year. We also generated $400 million in cash flow from operations. These results reflect strength of our business model, continued execution against our growth priorities and disciplined expense management.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Full year results were consistent with the outlook we shared at the beginning of the year, underscoring the durability of our licensing model despite quarter-to-quarter variability. For the year, Dolby Atmos, Dolby Vision and imaging patents revenue grew 18%, ahead of our expectation of approximately 15%, driven mainly by imaging patents on the strength of the video distribution program, recoveries and adoption of Dolby Atmos in cars and wearables, demonstrating the continued expansion of our technology and premium experiences across devices and services.

Foundational audio revenue declined approximately 4%, primarily reflecting lower unit shipments and timing of audio patent minimum volume commitments, partially offset by higher recoveries. Importantly, our licensing portfolio continues to evolve. Dolby Atmos, Dolby Vision and imaging patents represented just over 50% of licensing revenue in fiscal year '26, surpassing foundational for the first time.

This is an important milestone because more than half of our licensing revenue now comes from technology and IP categories that we expect to drive our long-term growth. Looking at our end markets, full year results were largely consistent with our prior expectations. Other revenue was up 19% with strong contributions from the VDP and auto. Broadcast was up 4%, driven by recoveries, partially offset by lower unit shipments.

Mobile was up 5%, driven by Dolby Atmos and Dolby Vision adoption and wearables. PCs were down 4% from lower Dolby-enabled units and lower recoveries. Consumer electronics was flat year-over-year. In addition to generating revenue growth, we continue to actively manage our cost structure. As a result, non-GAAP operating margins increased roughly 130 basis points year-over-year to 34.5%, reflecting our continued focus on delivering profitable growth.

Our capital allocation approach is straightforward and disciplined, invest organically in the highest return growth opportunities, pursue acquisitions that have a compelling strategic fit and attractive financial returns and return excess cash to shareholders. During fiscal year '26, we more than doubled our share repurchases compared to last year to $265 million or just over 4 million shares. We ended the year with approximately $362 million remaining on our share repurchase authorization. We also declared a $0.39 dividend, up 8% from our dividend a year ago and ended the quarter with cash and investments of approximately $713 million.

We have a strong track record of executing against this capital allocation framework, returning more than $3 billion through share repurchases and over $1 billion through dividends since 2010. We have reduced our diluted share count from a peak of 115 million shares in 2009 to 94 million shares at the end of Q4. We've increased our dividend every year except 2020, underscoring both our commitment to shareholder returns and confidence in the long-term cash-generating capabilities of the business.

Turning to our outlook for fiscal year '27. We continue to see strong momentum across strategic growth areas, including VDP and automotive. At the same time, we expect lower unit volumes across several key consumer electronic markets to weigh on overall licensing revenue growth in fiscal year '27. For the full year '27, we expect revenue to be flattish year-over-year at approximately $1.42 billion. This assumes a mid-single-digit decline in foundational audio revenue due to lower unit sales across key end markets, especially mobile, TV, CE and PC and lower recoveries. We expect a mid-single-digit increase in Dolby Atmos, Dolby Vision and imaging patents revenue.

The lower growth rate of Dolby Atmos, Dolby Vision and imaging patents revenue compared to fiscal year '26 primarily reflects a difficult comparison following stronger recoveries in the prior year, the timing of certain licensing arrangements in '26 as well as the current macro environment driving lower expected unit volumes. While these external market conditions may moderate growth in the near term, our conviction in the long-term growth opportunity for Dolby Atmos, Dolby Vision and imaging patents revenue remains strong.

This, along with the focus on capturing additional scalable sources of growth, Marc just mentioned, reinforces our confidence in the durability of our growth profile. The composition of revenue between the first half and the second half of the year is expected to be skewed slightly more in the second half than the first half, largely due to the timing of certain deals. Non-GAAP gross margin should be approximately 89%. We are targeting non-GAAP operating expenses to also be roughly flat at approximately $775 million, which should result in roughly flat non-GAAP operating margins. We expect nonoperating income to be down approximately $10 million compared to last year, mainly driven by lower expected income from equity method investments.

We expect non-GAAP EPS to be roughly flat year-over-year. From an end market perspective, we expect other revenue to be up mid-teens, driven by VDP and auto, mobile to be flattish with growth in Dolby Vision and imaging patents, offset by lower expected units. CE and PC to be down mid-single digits due to lower units and Broadcast to be down high single digits, driven by lower recoveries and lower units. For Q1, we expect revenue to be between $285 million and $305 million. Within that, we expect license revenue to be between $260 million and $280 million.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

As a reminder, quarterly revenue can fluctuate meaningfully due to factors like true-ups and timing of deals like minimum volume commitments and recoveries. We are seeing those factors in Q1. Revenue is expected to be lower than Q1 last year due to deals expected to come in later in the year versus a year ago, comping a positive true-up in Q1 of last year and also lower unit shipments. Non-GAAP gross margin should be approximately 87%, and we expect non-GAAP operating expenses to be between $200 million and $210 million, a large sequential increase partially due to operating tax benefits in Q4 as well as timing of litigation and patent program expenses. Non-GAAP EPS is expected to be between $0.41 and $0.56.

In summary, we enter fiscal '27 from a position of strength with over $700 million in cash and investments, no debt, a highly profitable licensing model and strong free cash flow generation. We have the financial flexibility to invest in profitable growth, pursue strategic opportunities and continue returning capital to shareholders. We remain disciplined in our capital allocation, focused on delivering profitable growth and committed to creating sustainable long-term shareholder value.
With that, I'd like to turn the call over to our operator for Q&A.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Steven Frankel with Rosenblatt Securities.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

I really appreciate your insights and setting the stage. I'm just having trouble reconciling that and the momentum in Atmos and Vision that you saw in the year just ended with an outlook for no growth. Maybe talk to us about how the environment may have worsened since the last time the company had a call? Or -- and also the growth rate in Atmos and Vision seems much lower than the way you guys used to characterize the growth rate in that business. Do you now think that you've reached a penetration rate where it's a slower growth part of the story?

Marc Whitten
President, CEO & Director

Steven, great to hear from you. Yes, I think there's a couple of things. And at the end, I'll throw it over to Robert, who can also go through some of the comps. But the first I'll say is we see a really strong pipeline across our core technologies, Atmos, Vision, the VDP and we see it in existing categories where we have a strong pipeline in areas like automotive. We see it in new categories like wearable, where we continue to sort of drive progress.

But we are being judicious about the macroeconomic environment that we find ourselves in. We are seeing in most categories, lower unit volumes as a result of memory pressure and other supply constraints. And that's causing some specific behaviors. So we have customers that are shipping fewer of their low-end SKUs and raising the prices on high-end SKUs. And the end result of that impacts revenue for us in the short term, while these factors are at play. But it doesn't really read on the pipeline, the design wins and the kind of progress that we continue to see in our core lines of business.

The other thing that I would add to that, which I know has been talked about various quarters in the past is we do have a lot of quarter-on-quarter volatility, which does show some of these results where deal timing is and volume. So that can show on the quarter-to-quarter side. But a lot of what we're talking about in FY '27 is just what we see with the macroeconomic environment.

Robert, I don't know if there's anything you'd add there.

Robert J. Park
Senior VP & CFO

Yes. I like to add, yes, we continue to see strong momentum across the strategic growth areas, Steve, including the distribution program and Dolby Atmos and automobile, but at the same time, expected lower unit volumes across these key end markets is weighing down on overall revenue growth. And particularly for Dolby Atmos, Dolby Vision and imaging patents, while we said in the past, that's not -- more growth is more tied to getting on more devices than devices, it's still impacted by device shipments. So lower overall unit shipments is going to impact Dolby Atmos and Dolby Vision as well. And some comps from 2026 in terms of timing of recoveries and some minimum volume commitments that we had in '26 compared to '27.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Could you characterize how big these outsized recoveries were in 2026, kind of what are we comping against that's not normal because you guys have recoveries every year?

Robert J. Park
Senior VP & CFO

Yes. In fiscal '26, we had a couple of big recoveries. We talked about the one in Q2. And we have large recoveries in Q4 as well. But every year, we have to look at the pipeline of what's out there. In fiscal '26 you saw that Atmos Vision and imaging was at 18% higher than what we expected at 15% and a lot of that came from higher recoveries.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Okay. And then on VDP, I appreciate you giving us a partner count. Could you tell us where that was a year ago?

Marc Whitten
President, CEO & Director

Well, I wasn't here a year ago, so I'll have to come back with a number on it. I think what I would say is the thing that's been really impressive for me coming in here has been the speed and the depth of the pipeline and how quickly that's coming together. But Robert, I don't know if you'd like to add.

Robert J. Park
Senior VP & CFO

Yes. Last year, Steve, we had about half a dozen partners.

Marc Whitten
President, CEO & Director

So, the good example of like the quality -- like to me, this is a great example of Dolby at its best. There's this take our core capabilities, apply it to a new type of customer space and start being focused on how do we enable shared success. And so you're seeing, like, I think, a lot of strength in that particular pipeline, and I would expect that to continue.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

And would you care to speculate what VDP could be in a few years?

Marc Whitten
President, CEO & Director

I think what I saw is that in the past, we've said that when we look at areas like, for example, streaming technologies, which VDP plays on, that we expect that to be more than 10% of our revenue. I think we had said by FY '28. I would tell you, I'm pretty confident in that, and I think we will continue to see acceleration there. The other thing I'll tell you is as I think about the opportunities for Dolby and where other avenues for growth are, a lot of them do look like how do we invest in business models where there is this kind of recurring services-based revenue. And so it's also just going to be a continued significant area of focus for us, both on what we have today and things like VDP and our other offerings, OptiView, but in new areas that we're exploring as part of our new strategy.

Operator

Your next question comes from the line of Ralph Schackart with William Blair.

Ralph Edward Schackart
William Blair & Company L.L.C., Research Division

Maybe just to kind of follow up on Steven's question, Marc, has your philosophy to guidance changed since you're casting your inaugural 2027 outlook? I guess what's a little confusing is that the business had been showing faster growth year-over-year on an organic basis. And I know the macro environment isn't fantastic, but it doesn't seem to have changed materially, at least in my view, since 2026. And maybe if you could just kind of walk through what's really or prioritize, if you could, or have the impact on what's making, I guess, 2027 outlook kind of flattish between, I guess, memory or macro or recovery. So I think that would be helpful. And then I have a follow-up.

Marc Whitten
President, CEO & Director

Yes, for sure. I think we're seeing lower unit volumes. And in fact, one of the things that I think you've heard us say is that the longer that some of these macro conditions continue, the more we expect them to drive an impact on some of our business. And so this has been going on for a while. I think it is arguably the impact inside the supply chain and therefore, what our customers are actually doing across their lineups, we're just starting to see more and more of that impact.

So I look at kind of 2 things. I look at our pipeline of where we're developing design wins, where new categories are coming together, how our businesses are evolving in ADR and OptiView in those areas. And I feel really good about the inputs that are going into the system. We continue to have these really good design wins, more customers coming on board. And then there's obviously -- take auto as an example. There's a lag between when you have a design win to when those particular vehicles start rolling off. But all those

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

parts, I think, continue to be really strong for us. And then I look at what's happening in terms of the end users, like how many TVs are being sold, how many new cars are rolling off.

And where we see that softness, that obviously does have some impacts. And then as Robert said, there are some onetime impacts of various recovery scenarios and some timing issues that had some impact. But it doesn't change the durability and the strength of what I see in the core. I think we're just trying to give the most judicious forward guidance and give you the information as we see it and then go execute and drive all of the inputs that we can drive.

Ralph Edward Schackart
William Blair & Company L.L.C., Research Division

Okay. Maybe just kind of circling back then on the growth question. Historically, I know you didn't set this outlook, but historically, the company has talked about returning back to double-digit growth and you grew 5% or so in '26 and flat for 2027. I guess how should investors think about that kind of long-term guidance, so to speak, or the goal to get back to double-digit growth? And does that seem achievable to you?

Marc Whitten
President, CEO & Director

Yes. Without committing to a specific growth number today after 2 months, I would say the following. I believe that the extraordinary assets of Dolby should deliver exceptional results. And I mean that specifically both in terms of the profitability and the cash generation that we've done, but also specifically growth. And a large part of the work that we are doing, that I'm doing as I've come in and assessed and started building this new strategy is designed around how do we extend the core capabilities of the company into additional sources of durable growth.

And there's kind of 2 ways that I've been thinking about that. The first is what are the additional use cases where the Dolby technologies read super strongly, where it gives us an opportunity to compete and win. And most of our use cases today are entertainment focused, and there's more entertainment things that we can certainly do. But I think there are actually non-entertainment scenarios where the core technology of the company, the core capabilities of the company also signal an opportunity to really go win and compete and build really interesting businesses. The second area is really around the business model.

Today, 90-plus percent of our revenue is on licensing. It's actually licensing of entertainment for hardware. That's a very specific and pretty tight box where we drive a bunch of our revenue. And in the future, I expect that we're going to find significant opportunities in recurring forms of revenue, services revenue, usage-based revenue, those types of particular elements. Again, what I see inside the company is we have the core technology, we have the core capabilities and that there are clear use cases that those capabilities read on.

So a lot of this is about how do we add any missing capabilities, think about go-to-market in a different way, address like some of these either in a use case or in the type of business model that could drive long-term durable, significant growth. And I mean, that's why I'm here, for sure, like to unlock that value.

Operator

Your next question comes from the line of Vikram Kesavabhotla with Baird.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Marc, I wanted to start off just following up on some of the priorities that you laid out at the beginning of the call. One of the things you talked about was simplifying how Dolby does business. Can you talk more about what you mean by that? Is that more about the way you operate internally or perhaps it's more about how you externally go to market or maybe it's a combination of it all, but it would be just great if you could elaborate more on what you mean by that.

Marc Whitten
President, CEO & Director

Yes. I think the answer to that question is yes. There's a lot of complexity inside Dolby and there's a lot of complexity around our business. Now we serve very, very complicated broad end ecosystems. And those ecosystems are always going to be complicated. So like that's great. I think finding the ways where we can unlock speed through simplicity and focus are really key. So there are lots of ways internally where when I look at how do we give more context to employees, how do we thrive the ability for decisions to

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

be made faster? How do we reduce obstacles that could be in the past in terms of like systems issues or things like that, that are just slowing down what is an exceptional set of people by not letting us move at the pace that I think we need to?

And the second thing is really just how do we create very clear simple solutions that are highly scalable. And so I think both of those aspects, there's a lot of work that we can do, and it's a significant part of the strategy that we're putting in place.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. That's helpful. And then the other piece I wanted to follow up on was your comments about Dolby's role in the AI era and leading in the AI era. Can you talk more about your vision there? I mean, what role -- the role that you think Dolby is going to play? And more importantly, is what that means for how you're investing into the product road map and perhaps some of your internal operations as well.

Marc Whitten
President, CEO & Director

Yes. Great question, Vik. I think when I say it's the AI era of audio video, I mean I think it's the AI era of everything pretty much, of course. But really, if you look today audiovisual technology experiences, entertainment is being reinvented from first principles. What does it mean to be a creator. What are the types of tools that creators have -- what is the piece of content? How is that content distributed? Like what is the way that we can experience content, that is being redesigned in real time.

Now, this is what Dolby has done for 60 years. There have been many of these eras. This is a particularly big and disruptive one. But each of these eras like the core technology, because if you think about what Dolby is great at, it's really this synthesis of the art and science of perception like we've taken that capability and applied it in the way that helped most unlock value for creators,, for end users and for partners.

And certainly, in AI, I think the same thing. And so inside of our labs, we have our own foundation model work. We have our own ML technologies, where we see our ability to take that core capability and turn it into these components that can be used in really interesting ways in the product road map. The last part, though, that I really want to add into this because I think it sets up the opportunity for growth in an interesting way is, in some ways, AI is actually positioning audio/video even more centrally in how we all interact with technology. Like I grew up typing on a keyboard and using a mouse and then later on, touching a screen on a phone or something.

And I typed in, there was a linear process and there was a linear output. Well, what's happening now is that you speak or you share rich multimedia content with an agent, which creates based on that content in real time, some high fidelity content back for you and that actually potentially even speaks back. And the really fundamental part about that is you go from this kind of linear process to this circular conversation, but audio-video technology is at the center like in lots of core pieces of technology and pieces of technology that Dolby is naturally great at.

So, I see both in the entertainment space, where we have, for a long time, really helped partner and lead these really broad ecosystems around entertainment, but also, frankly, in nonentertainment use cases lots of ways to take our technology and apply them through in new ways in the sort of AI world. It also matches a little bit of some of the business models that I was talking about because many of this type of technology is likely to look a bit more service-like or recurring like. So there's a lot of natural synergy between as we think of both use cases and business model, how to take those capabilities and use it, yes, in a new context, given what's happening with AI.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. That's very helpful. And then maybe a natural follow-up to that is just given all the opportunities that you have laid out here and have talked about so far, what is your philosophy around balancing profitability and margins against reinvesting in growth to reaccelerate the growth of the business. And I realize this year, you guys are guiding to operating margins flat year-over-year, it seems like. But maybe even from a higher level, if you could talk about how you plan to manage that and what investors can expect from that perspective.

Marc Whitten
President, CEO & Director

Yes. I think that I'm focused on durable profitable growth. And so I think that there's an opportunity for us continue to deliver exceptional results. It's actually one of the really cool things about the durability of the core business at Dolby is like we have this

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

really great asset, drives a lot of cash. It's highly durable, it's very profitable, and we can invest on top of that organically for the growth inside of the business. I believe that there's a lot of efficiency that we can actually deliver inside of that to do even more. Part of that simplifying our how is a bit about how can we do more to drive growth. But we're going to continue to be very judicious, right? Profitable growth make informed decisions as we look at opportunities on how best to drive value. But it seems like there's a lot of opportunities staying within this frame of a really profitable company.

Operator

Your next question comes from the line of Patrick Sholl with Barrington Research.

Patrick William Sholl
Barrington Research Associates, Inc., Research Division

Just as you talked about like the memory prices kind of going on for some time and having an effect on the business. Could you maybe talk about like how that's sort of impacting maybe some of the minimum volume commitment side? And how if there is some, I guess, easing of that pressure, how that would translate into any sort of like device recovery and kind of reversal of some of those pressures for Dolby?

Marc Whitten
President, CEO & Director

Robert, do you want to start with that one?

Robert J. Park
Senior VP & CFO

Yes. Pat, in terms of the memory prices and minimum volume commitments, as we said before, the mobile space where it's particularly impacted by memory prices is predominantly done by minimum volume commitments. And we're a bit insulated to that in fiscal year '26. But we think about '27 as these deals come up for renewal, expected volumes based on what we see is lower volumes overall. So that could impact the timing and extent of those minimum volume commitments going into '27 as we get through this to situation.

Operator

[Operator Instructions] Your next question comes from the line of Vikram Kesavabhotla.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. Great. I just wanted to follow up on a few of the different products and markets that you referenced throughout the call. Maybe first on autos. Can you talk more about the momentum that you're seeing there? How the progress in the U.S. compares versus internationally? And is your plan still to break that out when it reaches 10% of revenue? And how close are we that at this stage?

Marc Whitten
President, CEO & Director

Yes, Vik. I think we'll continue to find ways to be as transparent as we can in helping you guys understand the business. And I do think that sort of 10% sort of mark is a really good example. So we'll keep evaluating that. In terms of the progress, I think you can see we had some really cool wins, like, for example, Mahindra. We continue to have really broad wins in the U.S., in Europe and in China. Now there's a difference that we see in some regions between how fast from a design win to cars rolling off the line and end customers. So for example, in China, that tends to happen a little faster, in the U.S. that's a bit slower. But those are separate from the input.

The input is we see a lot of the strength. The design wins are going in. The cars are going through the design stages and then those -- we'll continue to see those roll out as they start to. And then we continue to have a really strong pipeline. And not just the pipeline, but one of the -- to me, the really cool part is that as we engage in these conversations, the conversation sort of goes to what else could we do to make the in-cabin experience better. And so like in the way that we've done with many of our categories, I think it opens up an opportunity to just look at more opportunity down the road. So there is what we're doing today like largely led by Dolby Vision and Dolby Atmos. And then it's just here is a great relationship that we have in this ecosystem and continuing to look for ways that we can add even more value.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. I appreciate all the color there. I also wanted to ask about OptiView. I know we talked about VDP a few times throughout this call, but it'd be great to get an update on how OptiView is progressing, any customers and partners that you've added there? And if the revenue contribution there, how that's tracking relative to your expectations at this stage.

Marc Whitten
President, CEO & Director

I don't know if I mentioned that the Seahawks were the Super Bowl Champions last year and my team. But Seahawks has obviously been a great partner for us. It's -- one of the things that's great with them is they're really fast-paced innovators. So we have both -- the innovation lead with them, and then there's also some brand work that we do together, which is awesome. I'm also really excited about the Las Vegas Aces, which is the WNBA team in Las Vegas, which also came in Q4, they're actually going to be streaming direct-to-customer live games. In Dolby Vision, Dolby Atmos and like a really great example of how with the streaming technology, we can continue to drive like this really high differentiation.

And as we -- as these wins come online, they help our next pipeline. So like we have a rich pipeline of people that we're talking to that are really interested in how they can deliver a more personalized high fidelity experience in many of these streaming scenarios. And the last thing I'd add is it really fits well into the framework that I was talking about earlier, like how do we look for some of these areas where the business model looks more like a service, a long-term service, actual engagement around data and scaling through usage. So really love seeing the progress that we're making there.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. Great. I also wanted to ask about Dolby Vision 2. Can you talk about just what the feedback has been since that's been out in the market. And I think the hope was that, that would allow you to further penetrate the TV market and perhaps a lot some more segmentation in the industry. I'm curious if you're seeing evidence of that play out so far at this stage and anything else you'd call out at this point.

Marc Whitten
President, CEO & Director

Yes. I think we have like a lot of positive uptick so far. We've announced Hisense TCL, TPV. I think you'll see more. We're looking forward to CES in a couple of months. Lots of both on the creator side and the partner side, like lots of positives on the value that Dolby Vision brings both in -- Dolby Vision 2 brings both in terms of an even better intelligent sort of mapping and color and high dynamic experience, but also, as you say, an ability to take that into even more SKUs by running more efficiently.

The other thing I would say is beyond just the creators and the CE partners, is we have Peacock, CANAL+ and IT that have all announced shipping in Dolby Vision 2 for their content catalogs.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. That's great. And then also, last quarter, we spent a fair amount of time on this call, I think, talking about the wearables market. And I know you mentioned a few times throughout this conversation as well. Could you give us an update on kind of what's happening there and also, Marc, your perspective and how meaningful the wearables market could ultimately be for Dolby?

Marc Whitten
President, CEO & Director

Yes, a really exciting quarter for us. We were obviously thrilled with the continued progress with Meta and launching and capture on their devices that they announced in Q4. That's a really big win. I would say a couple of things. First, it is a small category today, but it is a fast-growing category, and I think a really meaningful category. One of the things I'm excited about with it is in an AI world, the idea that you have these types of wearable technologies that can actually help provide context into the conversation that you're having with technology, I think, become more and more meaningful. And so I'm very bullish on the long term of the category. And as much, I'm very bullish on what we can continue to do working with our partners to really make them richer, deeper, more immersive experiences, drive new capture scenarios and frankly, like intelligence scenarios where you can take the best of what Dolby can offer into these devices that are just carried around with you in the real world.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Vikram Kesavabhotla
Robert W. Baird & Co. Incorporated, Research Division

Okay. Great. And then just the last question for me, and perhaps this is one for Robert. But -- you referenced it -- it looks like the repurchase -- share repurchases have remained elevated throughout this year relative to what we've seen historically. It seems like every quarter, it's been around the ballpark of $65 million for the past few quarters. Is that the right expectation going forward? Or anything else you can share in terms of how you plan to manage share repurchases and how you view that as a use of capital versus other investments in the business at this stage?

Robert J. Park
Senior VP & CFO

Yes. Great question, Vik. And yes, in '26, we did more than double our share repurchase program. Our policy and philosophy to that is at a minimum offset stock-based comp dilution, but we will make increased purchases from time to time when it makes sense. But as Marc talked about before, we look at capital allocation holistically. So first and foremost, what can we invest in the business for long-term growth. Looking at that and then looking at the financial attractive assets that might be out there. You've seen us do that in our patents program and tuck-ins for cloud in terms of driving growth and our strategic alignment.

And then third would be returning excess cash to shareholders, and we've been doing that through increasing the dividend over time. But with the share repurchase when it makes sense, we will increase it. But for now, our guidance is that we'll continue to offset dilution and make those allocation changes every quarter.

Operator

There are no further questions at this time. I will now pass the call back over to Marc for closing remarks.

Marc Whitten
President, CEO & Director

All right. Thanks, everyone. Those were really great questions. Just to wrap up, our core business is healthy. And we have an extraordinary balance sheet that puts us in a really enviable position as we formulate our strategy to take a leadership position in media and to deliver durable and profitable growth. Media remains an enduring and positive part of everyday life, and there's never been a more interesting or disruptive time in the industry.

I expect radical change in the landscape over the next 5 years, and I'm confident that Dolby will lead this change by playing a meaningful role in defining the future of media. We've got the people, the passion, the technology and IP, the partnerships and the brand equity succeed. And we have an obligation to put those strengths to work to achieve the full potential of Dolby. The world needs more Dolby and that's why I'm here.

I look forward to sharing more details on our priorities and strategy in the quarters to come, but rest assured that we have a clear line of sight to begin our work to deliver enhanced shareholder value. And the last thing I'll say is, for those of you that are planning to come to CES, we'll be hosting some demos and conversations with execs the morning of the event. So please come by and see us, and you can reach out to Peter for details on that. Thanks for your interest in Dolby, and we look forward to sharing progress with you next quarter.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2026 S&P Global Market Intelligence.