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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From To

Commission File Number: 001-32431



DOLBY LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware			**90-0199783**
(State or other jurisdiction of incorporation or organization)			(I.R.S. Employer Identification No.)
1275 Market Street	**San Francisco**	**California**	**94103-1410**
(Address of principal executive offices)			(Zip Code)

(415) 558-0200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.001 par value	**DLB**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On April 28, 2023, the registrant had 59,420,346 shares of Class A common stock, par value $0.001 per share, and 36,085,779 shares of Class B common stock, par value $0.001 per share, outstanding.

DOLBY LABORATORIES, INC.
FORM 10-Q
For the Fiscal Quarter Ended March 31, 2023
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GLOSSARY OF TERMS

The following table summarizes certain terms and abbreviations that may be used within the text of this report:

Abbreviation	Term
AAC	Advanced Audio Coding
AFS	Available-For-Sale (Securities)
AOCI	Accumulated Other Comprehensive Income (Loss)
API	Application Programming Interface
APIC	Additional Paid In-Capital
ASC	Accounting Standards Codification
ASP	Average Selling Price
ASU	Accounting Standards Update
ATSC	Advanced Television Systems Committee
AVC	Advanced Video Coding
AVR	Audio/Video Receiver
CE	Consumer Electronics
CODM	Chief Operating Decision Maker
COSO	Committee Of Sponsoring Organizations (Of The Treadway Commission)
DD	Dolby Digital®
DD+	Dolby Digital Plus™
DMA	Digital Media Adapter
DTV	Digital Television
DVB	Digital Video Broadcasting
DVD	Digital Versatile Disc
EPS	Earnings Per Share
ESP	Estimated Selling Price
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FCPA	Foreign Corrupt Practices Act
G&A	General and Administrative
HD	High Definition
HDR	High-Dynamic Range
HDTV	High Definition Television
HE-AAC	High Efficiency Advanced Audio Coding
HEVC	High Efficiency Video Coding
IC	Integrated Circuit
IBR	Incremental Borrowing Rate
IP	Intellectual Property
LP	Limited Partner/Partnership
NOL	Net Operating Loss
OECD	Organization For Economic Co-Operation & Development
OEM	Original Equipment Manufacturer
OTT	Over-The-Top
PC	Personal Computer
PCS	Post-Contract Support
PP&E	Property, Plant, and Equipment
PSO	Performance-Based Stock Option
PSU	Performance-Based Restricted Stock Unit
R&D	Research and Development
ROU	Right-Of-Use
RSU	Restricted Stock Unit
S&M	Sales and Marketing
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
STB	Set-Top Box
TSR	Total Stockholder Return
UHD	Ultra-High Definition
U.S. GAAP	Generally Accepted Accounting Principles In The United States

PART I – FINANCIAL INFORMATION

ITEM 1. UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

DOLBY LABORATORIES, INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(*in thousands, except share and per share amounts*)
(unaudited)

	March 31, 2023	September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 688,443	$ 620,127
Restricted cash	4,977	8,244
Short-term investments	126,393	189,213
Accounts receivable, net of allowance for credit losses of $9,991 and $11,834	283,315	243,593
Contract assets, net of allowance for credit losses of $128 and $125	275,262	176,093
Inventories, net	30,353	23,549
Prepaid expenses and other current assets	53,853	50,075
Total current assets	1,462,596	1,310,894
Long-term investments	100,797	102,514
Property, plant, and equipment, net	508,021	513,481
Operating lease right-of-use assets	44,721	46,530
Intangible assets, net	98,876	112,265
Goodwill	370,134	365,147
Deferred taxes	203,886	183,568
Other non-current assets	47,102	55,149
Total assets	**$ 2,836,133**	**$ 2,689,548**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,170	$ 14,171
Accrued liabilities	246,757	230,237
Income taxes payable	14,496	1,265
Contract liabilities	22,963	18,588
Operating lease liabilities	12,625	13,257
Total current liabilities	314,011	277,518
Non-current contract liabilities	22,721	23,203
Non-current operating lease liabilities	35,243	37,685
Other non-current liabilities	108,166	100,122
Total liabilities	480,141	438,528
Stockholders' equity:		
Class A, $0.001 par value, one vote per share, 500,000,000 shares authorized: 59,671,342 shares issued and outstanding at March 31, 2023 and 59,798,862 at September 30, 2022	54	53
Class B, $0.001 par value, ten votes per share, 500,000,000 shares authorized: 36,085,779 shares issued and outstanding at March 31, 2023 and 36,085,779 at September 30, 2022	41	41
Retained earnings	2,378,115	2,297,730
Accumulated other comprehensive loss	(27,426)	(51,641)
Total stockholders' equity – Dolby Laboratories, Inc.	2,350,784	2,246,183
Noncontrolling interest	5,208	4,837
Total stockholders' equity	2,355,992	2,251,020
Total liabilities and stockholders' equity	**$ 2,836,133**	**$ 2,689,548**

See accompanying notes to unaudited interim condensed consolidated financial statements

DOLBY LABORATORIES, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands, except per share amounts*)
(unaudited)

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Revenue:				
Licensing	$ 351,608	$ 313,833	$ 659,619	$ 646,117
Products and services	24,283	20,538	51,193	39,887
Total revenue	375,891	334,371	710,812	686,004
Cost of revenue:				
Cost of licensing	21,365	16,672	34,724	31,607
Cost of products and services	19,684	18,843	40,775	36,617
Total cost of revenue	41,049	35,515	75,499	68,224
Gross profit	334,842	298,856	635,313	617,780
Operating expenses:				
Research and development	67,951	67,421	132,401	136,245
Sales and marketing	95,695	84,230	177,900	181,400
General and administrative	61,939	98,693	121,911	161,137
Restructuring charges/(credits)	33	5,162	(211)	5,067
Total operating expenses	225,618	255,506	432,001	483,849
Operating income	109,224	43,350	203,312	133,931
Other income/(expense):				
Interest income	6,773	1,098	11,651	1,814
Interest expense	34	(87)	(47)	(171)
Other income/(expense), net	1,250	(910)	2,347	(681)
Total other income	8,057	101	13,951	962
Income before income taxes	117,281	43,451	217,263	134,893
Provision for income taxes	(21,398)	(6,932)	(41,932)	(18,364)
Net income including noncontrolling interest	95,883	36,519	175,331	116,529
Less: net (income)/loss attributable to noncontrolling interest	(187)	201	(260)	205
Net income attributable to Dolby Laboratories, Inc.	**$ 95,696**	**$ 36,720**	**$ 175,071**	**$ 116,734**
Net income per share:				
Basic	$ 1.00	$ 0.36	$ 1.83	$ 1.15
Diluted	$ 0.98	$ 0.36	$ 1.80	$ 1.13
Weighted-average shares outstanding:				
Basic	95,820	101,343	95,862	101,285
Diluted	97,298	102,707	97,392	103,477
Related party rent expense:				
Included in net income attributable to noncontrolling interest	$ 71	$ 71	$ 142	$ 142
Cash dividend declared per common share	$ 0.27	$ 0.25	$ 0.54	$ 0.50
Cash dividend paid per common share	$ 0.27	$ 0.25	$ 0.54	$ 0.50

See accompanying notes to unaudited interim condensed consolidated financial statements

DOLBY LABORATORIES, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Net income including noncontrolling interest	$ 95,883	$ 36,519	$ 175,331	$ 116,529
Other comprehensive income/(loss):				
Currency translation adjustments gains/(losses), net of tax benefit of $0, $34, $0, and $0	2,497	(485)	16,878	(1,756)
Unrealized gains/(losses) on investments, net of tax benefit/(expense) of $1, ($1), $38, and ($5)	1,635	(3,516)	2,991	(4,020)
Unrealized gains/(losses) on cash flow hedges, net of tax benefit/(expense) of ($67), ($49), $89, and ($80)	391	(59)	4,723	178
Total other comprehensive income/(loss), net of tax	4,523	(4,060)	24,592	(5,598)
Total comprehensive income	100,406	32,459	199,923	110,931
Less: comprehensive (income)/loss attributable to noncontrolling interest	(261)	101	(637)	152
Comprehensive income attributable to Dolby Laboratories, Inc.	**$ 100,145**	**$ 32,560**	**$ 199,286**	**$ 111,083**

See accompanying notes to unaudited interim condensed consolidated financial statements

DOLBY LABORATORIES, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(*in thousands*)
(unaudited)

	Fiscal Quarter Ended						
	Dolby Laboratories, Inc.						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity - Dolby Laboratories, Inc.	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 30, 2022	**$ 95**	**$ —**	**$ 2,319,358**	**$ (31,875)**	**$ 2,287,578**	**$ 4,947**	**$ 2,292,525**
Net income	—	—	95,696	—	95,696	187	95,883
Other comprehensive income, net of tax	—	—	—	4,449	4,449	74	4,523
Stock-based compensation expense	—	29,827	—	—	29,827	—	29,827
Capitalized stock-based compensation expense	—	330	—	—	330	—	330
Repurchase of common stock	—	(38,797)	(11,067)	—	(49,864)	—	(49,864)
Cash dividends declared and paid on common stock	—	—	(25,872)	—	(25,872)	—	(25,872)
Common stock issued under employee stock plans	—	10,440	—	—	10,440	—	10,440
Tax withholdings on vesting of restricted stock	—	(1,800)	—	—	(1,800)	—	(1,800)
Balance at March 31, 2023	**$ 95**	**$ —**	**$ 2,378,115**	**$ (27,426)**	**$ 2,350,784**	**$ 5,208**	**$ 2,355,992**

	Fiscal Year-To-Date Ended						
	Dolby Laboratories, Inc.						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity - Dolby Laboratories, Inc.	Noncontrolling Interest	Total Stockholders' Equity
Balance at September 30, 2022	**$ 94**	**$ —**	**$ 2,297,730**	**$ (51,641)**	**$ 2,246,183**	**$ 4,837**	**$ 2,251,020**
Net income	—	—	175,071	—	175,071	260	175,331
Other comprehensive income, net of tax	—	—	—	24,215	24,215	377	24,592
Distributions to noncontrolling interest	—	—	—	—	—	(266)	(266)
Stock-based compensation expense	—	61,067	—	—	61,067	—	61,067
Capitalized stock-based compensation expense	—	671	—	—	671	—	671
Repurchase of common stock	(1)	(56,330)	(42,945)	—	(99,276)	—	(99,276)
Cash dividends declared and paid on common stock	—	—	(51,741)	—	(51,741)	—	(51,741)
Common stock issued under employee stock plans	2	21,392	—	—	21,394	—	21,394
Tax withholdings on vesting of restricted stock	—	(26,800)	—	—	(26,800)	—	(26,800)
Balance at March 31, 2023	**$ 95**	**$ —**	**$ 2,378,115**	**$ (27,426)**	**$ 2,350,784**	**$ 5,208**	**$ 2,355,992**

	Fiscal Quarter Ended						
	Dolby Laboratories, Inc.						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity - Dolby Laboratories, Inc.	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2021	**$ 100**	**$ —**	**$ 2,649,175**	**$ (11,521)**	**$ 2,637,754**	**$ 4,767**	**$ 2,642,521**
Net income	—	—	36,720	—	36,720	(201)	36,519
Other comprehensive income/(loss), net of tax	—	—	—	(4,160)	(4,160)	100	(4,060)
Stock-based compensation expense	—	27,699	—	—	27,699	—	27,699
Repurchase of common stock	(2)	(40,588)	(44,323)	—	(84,913)	—	(84,913)
Cash dividends declared and paid on common stock	—	—	(25,398)	—	(25,398)	—	(25,398)
Common stock issued under employee stock plans	1	13,689	—	—	13,690	—	13,690
Tax withholdings on vesting of restricted stock	—	(800)	—	—	(800)	—	(800)
Deconsolidation of subsidiary	—	—	(820)	—	(820)	750	(70)
Balance at April 1, 2022	**$ 99**	**$ —**	**$ 2,615,354**	**$ (15,681)**	**$ 2,599,772**	**$ 5,416**	**$ 2,605,188**

	Fiscal Year-To-Date Ended						
	Dolby Laboratories, Inc.						
	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity - Dolby Laboratories, Inc.	Noncontrolling Interest	Total Stockholders' Equity
Balance at September 24, 2021	**$ 100**	**$ —**	**$ 2,607,909**	**$ (10,030)**	**$ 2,597,979**	**$ 6,253**	**$ 2,604,232**
Net income	—	—	116,734	—	116,734	(205)	116,529
Other comprehensive income/(loss), net of tax	—	—	—	(5,651)	(5,651)	53	(5,598)
Distributions to noncontrolling interest	—	—	—	—	—	(1,435)	(1,435)
Stock-based compensation expense	—	60,355	—	—	60,355	—	60,355
Repurchase of common stock	(2)	(62,696)	(57,788)	—	(120,486)	—	(120,486)
Cash dividends declared and paid on common stock	—	—	(50,681)	—	(50,681)	—	(50,681)
Common stock issued under employee stock plans	1	35,061	—	—	35,062	—	35,062
Tax withholdings on vesting of restricted stock	—	(32,720)	—	—	(32,720)	—	(32,720)
Deconsolidation of subsidiary	—	—	(820)	—	(820)	750	(70)
Balance at April 1, 2022	**$ 99**	**$ —**	**$ 2,615,354**	**$ (15,681)**	**$ 2,599,772**	**$ 5,416**	**$ 2,605,188**

See accompanying notes to unaudited interim condensed consolidated financial statements

DOLBY LABORATORIES, INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(*in thousands*)
(unaudited)

	Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022
Operating activities:		
Net income including noncontrolling interest	$ 175,331	$ 116,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,388	45,832
Stock-based compensation	61,067	60,355
Amortization of operating lease right-of-use assets	6,565	7,953
Amortization of premium on investments	37	673
Provision for/(benefit from) credit losses	(2,072)	2,333
Deferred income taxes	(19,544)	(19,363)
Other non-cash items affecting net income	(4,417)	560
Changes in operating assets and liabilities:		
Accounts receivable, net	(37,769)	3,498
Contract assets, net	(99,162)	(76,447)
Inventories	(4,728)	(5,045)
Operating lease right-of-use assets	(2,643)	(265)
Prepaid expenses and other assets	12,943	(1,683)
Accounts payable and accrued liabilities	21,609	(37,472)
Income taxes, net	17,370	5,117
Contract liabilities	3,852	4,364
Operating lease liabilities	(5,415)	(7,924)
Other non-current liabilities	(2,475)	(4,356)
Net cash provided by operating activities	160,937	94,659
Investing activities:		
Purchases of marketable securities	(80,561)	(201,231)
Proceeds from sales of marketable securities	52,345	5,107
Proceeds from maturities of marketable securities	94,843	29,055
Return of investment from equity method investees	—	826
Purchases of property, plant, and equipment	(14,741)	(26,053)
Payments for business combinations, net of cash acquired	—	(38,228)
Purchases of intangible assets	—	(11,528)
Purchases of other investments	—	(5,000)
Net cash provided by/(used in) investing activities	51,886	(247,052)
Financing activities:		
Proceeds from issuance of common stock	21,394	35,062
Repurchase of common stock	(99,276)	(120,486)
Payment of cash dividend	(51,741)	(50,681)
Distribution to noncontrolling interest	(266)	(1,435)
Shares repurchased for tax withholdings on vesting of restricted stock	(26,800)	(32,720)
Payment of deferred consideration for prior business combinations	(500)	—
Net cash used in financing activities	(157,189)	(170,260)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	9,415	(1,541)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	65,049	(324,194)
Cash, cash equivalents, and restricted cash at beginning of period	628,371	1,233,032
Cash, cash equivalents, and restricted cash at end of period	**$ 693,420**	**$ 908,838**
Supplemental disclosure:		
Cash paid for income taxes, net of refunds received	$ 27,468	$ 24,016
Non-cash investing activities and financing activities:		
Change in property, plant, and equipment purchased, unpaid at period-end	$ 1,635	$ (2,996)

See accompanying notes to unaudited interim condensed consolidated financial statements

DOLBY LABORATORIES, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Unaudited Interim Condensed Consolidated Financial Statements

We have prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with U.S. GAAP, and with SEC rules and regulations, which allow for certain information and footnote disclosures that are normally included in annual financial statements prepared in accordance with U.S. GAAP to be condensed or omitted. In our opinion, these unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements for the fiscal year ended September 30, 2022 and include all adjustments necessary for fair presentation. The accompanying unaudited interim condensed consolidated financial statements should be read in conjunction with our consolidated financial statements for the fiscal year ended September 30, 2022, which are included in our Annual Report on Form 10-K filed with the SEC.

The results for the fiscal quarter and year-to-date period ended March 31, 2023 are not necessarily indicative of the results to be expected for any subsequent quarterly or annual financial period, including the fiscal year ending September 29, 2023.

Principles of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of Dolby Laboratories, Inc. and our wholly-owned subsidiaries. In addition, we have consolidated the financial results of jointly owned affiliated companies in which our principal stockholder has a noncontrolling interest. We report these noncontrolling interests as a separate line in our unaudited interim condensed consolidated statements of operations as net income attributable to noncontrolling interest and in our unaudited interim condensed consolidated balance sheets as a noncontrolling interest. We eliminate all intercompany accounts and transactions upon consolidation.

Operating Segments

Since we operate as a single reportable segment, all required financial segment information is included in our unaudited interim condensed consolidated financial statements. This reflects the fact that our CODM, our CEO, evaluates our financial information and resources, and assesses the performance of these resources on a consolidated basis.

Use of Estimates

The preparation of our financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported and disclosed in our unaudited interim condensed consolidated financial statements and accompanying notes.

Significant items subject to such estimates and assumptions include estimated shipments by our licensees for which we are owed a sales-based royalty. These estimates involve the use of historical data and judgment for several key attributes including industry estimates of expected shipments, the percentage of markets using our technologies, and average sale prices. Our estimates of royalty-based revenue also take into consideration the macroeconomic effect of global events that may impact our licensees' supply chain activities as well as demand for shipments.

Additional significant items subject to such estimates and assumptions include ESPs for performance obligations within revenue arrangements; allowance for credit losses for accounts receivable; carrying values of inventories and certain PP&E, goodwill and intangible assets; fair values of investments; accrued liabilities including unrecognized tax benefits, deferred income tax assets and liabilities, and contingent liabilities; and stock-based compensation. Actual results could differ from our estimates.

Fiscal Year

Our fiscal year is a 52 or 53 week period ending on the last Friday in September. The fiscal periods presented herein include the 13 week period ended March 31, 2023 and April 1, 2022. Our fiscal year ending September 29, 2023 (fiscal 2023) consists of 52 weeks, and our fiscal year ended September 30, 2022 (fiscal 2022) consisted of 53 weeks.

2. Summary of Significant Accounting Policies

Concentration of Credit Risk

Our financial instruments that are exposed to concentrations of credit risk principally consist of cash, cash equivalents, investments, accounts receivable, and contract assets. We maintain cash, cash equivalents, and investments with multiple financial institutions that have high credit standing, and that we believe are financially sound and have minimal credit risk exposure, although at times our balances may exceed the applicable insurance coverage limits. We monitor and manage the overall counterparty credit risk exposure of our cash balances to individual financial institutions on an ongoing basis. Our investment portfolio consists of investment grade securities diversified amongst security types, industries, and issuers. All of our securities are held in custody by large national financial institutions. Our investment policy limits the amount of credit exposure to a maximum of 5% of our total portfolio to any one issuer, except for the U.S. Treasury, and we believe no significant concentration risk exists with respect to these investments. We also mitigate counterparty risk through entering into derivative contracts with high-credit-quality financial institutions. Actual or potential defaults of one or more financial institutions could impact our results of operations or financial position, and make it challenging to find alternative qualified counterparties.

The majority of our licensing revenue is generated from customers outside of the U.S. We manage the credit risk posed by non-U.S. customers by performing regular evaluations of the creditworthiness of our licensing customers and recognize revenue in accordance with US GAAP.

Recently Issued Accounting Standards

Standards Not Yet Adopted

Business Combinations. In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): A*ccounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by an acquirer in accordance with ASC 606, *Revenue from Contracts with Customers*. Currently, we recognize acquired contract assets and contract liabilities at fair value as of the acquisition date, in accordance with ASC 805. This standard will be effective for Dolby beginning September 30, 2023 on a prospective basis, but early adoption is permitted. We plan to early adopt this ASU in the third quarter of 2023.

3. Revenue Recognition

We enter into revenue arrangements with our customers to license technologies, trademarks and patents for sound and imaging solutions, and to sell products and services. We recognize revenue when we satisfy a performance obligation by transferring control over the use of a license, product, or service to a customer.

A. *Identification of the Contract or Contracts with Customers*

We generally determine that a contract with a customer exists upon the execution of an agreement and after consideration of collectability, which could include an evaluation of the customer's payment history, the existence of a standby letter-of-credit between the customer’s financial institution and our financial institution, public financial information, and other factors. At contract inception, we also evaluate whether two or more non-standard agreements with a customer should be combined and accounted for as a single contract.

B. *Identification of Performance Obligations in a Contract*

We generate revenue principally from the following sources, which represent performance obligations in our contracts with customers:

- *Licensing.* We license our technologies, including patents, to a range of customers who incorporate them into their products for enhanced audio and imaging functionality across broadcast, mobile, CE, PC, gaming, and other markets.
- *Product Sales.* We design and provide audio and imaging products for the cinema, television, broadcast, communications, and entertainment industries.
- *Services.* We provide various services to support theatrical and television production for cinema exhibition, broadcast, and home entertainment, including equipment training, mixing room alignment,

equalization, as well as audio, color and light image calibration. We also offer a developer platform, Dolby.io, that enables developers to access our technologies through audio and video APIs for building high-quality communications, media, and streaming solutions.

- *PCS.* We provide PCS for products sold and for equipment leased, and we support the implementation of our licensing technologies in our licensees' products.
- *Equipment Leases.* We collaborate with established cinema exhibitors to offer Dolby Cinema, a branded premium cinema offering for movie audiences by leasing equipment and licensing our IP.
- *Licensing Administration Fees.* We generate service fees for managing patent pools on behalf of third party patent owners through our subsidiary, Via (as defined below). See Note 16 "*Subsequent Event*" to our unaudited interim condensed consolidated financial statements for a description of the recent business combination of Via and MPEG LA, L.L.C.

Some of our revenue arrangements include multiple performance obligations, such as hardware, software, support and maintenance, and extended warranty services. We evaluate whether promised products and services are distinct performance obligations.

The majority of our arrangements with multiple performance obligations pertain to our digital cinema server and processor sales that include the following distinct performance obligations to which we allocate portions of the transaction price based on their stand-alone selling price:

- Digital cinema server hardware and embedded software, which is dependent on and interrelated with the hardware. Accordingly, the hardware and embedded software represent a single performance obligation.
- The right to support and maintenance, which is included with the purchase of the digital cinema server hardware, is a distinct performance obligation.
- The right to receive commissioning services is a distinct performance obligation within the sale of the Dolby Atmos Cinema Processor. These services consist of the review of venue designs specifying proposed speaker placement as well as calibration services performed for installed speakers to ensure optimal playback.

C. *Determination of Transaction Price for Performance Obligations in a Contract*

After identifying the distinct performance obligations, we determine the transaction price in accordance with the terms of the underlying executed contract which may include variable consideration such as discounts, rebates, refunds, rights of returns, and incentives. We assess and update, if necessary, the amount of variable consideration to which we are entitled for each reporting period. At the end of each reporting period, we estimate and accrue a liability for returns and adjustments as a reduction to revenue based on several factors, including past returns history.

With the exception of our sales-based royalties, we evaluate whether a significant financing component exists when we recognize revenue in advance of customer payments that occur over time. For example, some of our licensing arrangements include payment terms greater than one year from when we transfer control of our IP to a licensee and the receipt of the final payment for that IP. If a significant financing component exists, we classify a portion of the transaction price as interest income, instead of recognizing all of the transaction price as revenue. We do not adjust the transaction price for the effects of financing if, at contract inception, the period between the transfer of control to a customer and final payment is expected to be one year or less.

D. *Allocation of Transaction Price to Distinct Performance Obligations in a Contract*

For our sales-based royalties where the license is the predominant item to which the royalties relate, we present all revenue as licensing.

For revenue arrangements that include multiple performance obligations, we determine the stand-alone selling price for each distinct performance obligation based on the actual selling prices made to customers. If the performance obligation is not sold separately, we estimate the stand-alone selling price. We do so by considering market conditions such as competitor pricing strategies, customer specific information and industry technology lifecycles, internal conditions such as cost and pricing practices, or applying the residual approach method when the selling price of the good, most commonly a license, is highly variable or uncertain.

Once the transaction price, including any variable consideration, has been determined, we allocate the transaction price to the performance obligations identified in the contract and recognize revenue as or when control is transferred for each distinct performance obligation.

E. *Revenue Recognition as Control is Transferred to a Customer*

We generate our licensing revenue by licensing our technologies and patents to various types of licensees, such as chip manufacturers ("implementation licensees"), consumer product manufacturers, software vendors, and communications service providers. Our revenue recognition policies for each of these arrangements are summarized below.

Initial fees from implementation licensees. Implementation licensees incorporate our technologies into their chipsets that, once approved by Dolby, are available for purchase by OEMs for use in end-user products. Implementation licensees only pay us a nominal initial fee on contract execution as consideration for the ongoing services that we provide to assist in their implementation process. Revenue from these initial fees is recognized ratably over the contractual term as a component of licensing revenue.

Sales-based licensing fees. In our royalty bearing licensing agreements with OEMs, control is transferred upon the later of contract execution or the contract's effective date. We apply the royalty exception, which requires that we recognize sales-based royalties when the sales occur based on our estimates. These estimates involve the use of historical data and judgment for several key attributes including industry estimates of expected shipments, the percentage of markets using our technologies, and average sale prices. Generally, our estimates represent the current period's shipments to which we expect our licensees to submit royalty statements in the following quarter. Upon receipt of royalty statements from the licensees with the actual reporting of sales-based royalties that we estimated previously, we record a favorable or unfavorable adjustment based on the difference, if any, between estimated and actual sales. In the second quarter of fiscal 2023, we recorded a favorable adjustment of approximately $1 million, which was primarily related to shipments that occurred in the prior two quarters.

Fixed and guaranteed licensing fees. In certain cases, our arrangements require the licensee to pay fixed, non-refundable fees. In these cases, control is transferred and fees are recognized upon the later of contract execution or the effective date. Additionally and separate from initial fees from implementation licensees, our sales- and usage-based licensing agreements include a nominal fee, which is also recognized at a point in time in which control of the IP has been transferred. Revenue from these arrangements is included as a component of licensing revenue.

Recoveries. Through compliance efforts, we identify misreported licensed activity related to non-current periods. We may record a favorable or unfavorable revenue adjustment in connection with the findings from these compliance efforts generally upon resolution with the licensee through agreement of the findings, or upon receipt of the licensee's correction statement. Revenue from these arrangements is included as a component of licensing revenue.

We undertake activities aimed at identifying potential unauthorized uses of our technologies, which when successful result in the recognition of revenue. Recoveries stem from third parties who agree to remit payments to us based on past use of our technology. In these scenarios, a legally binding contract did not exist at the time of use of our technology, and therefore, we recognize revenue recoveries upon execution of the agreement as that is the point in time to which a contract exists and control is transferred. This revenue is classified as licensing revenue.

In general, we classify legal costs associated with activities aimed at identifying potential unauthorized uses of our technologies, auditing existing licensees, and on occasion, pursuing litigation as S&M in our unaudited interim condensed consolidated statements of operations.

We recognize licensing revenue gross of withholding taxes, which our licensees remit directly to their local tax authorities, and for which we receive a partial foreign tax credit in our income tax provision.

In addition to our licensing arrangements, we also enter into arrangements to deliver products and services.

Product Sales. Revenue from the sale of products is recognized when the customer obtains control of the promised good or service, which is generally upon shipment. Payments are generally made within 90 days of sale.

Services. We provide various services, such as engineering services related to movie soundtrack print mastering, equipment training and maintenance, mixing room alignment, equalization, and image calibration, which

we bill on a fixed fee and time and materials basis. Most of these services are of a short duration and are recognized as control of the performance obligations are transferred which is when the related services are performed.

Cloud Services. We provide access to audio and video APIs through our developer platform as well as cloud encoding services, generally, on either a consumption or subscription basis. Revenue related to cloud services provided on a consumption basis is recognized when the customer utilizes the services, based on the quantity of services consumed. Revenue related to cloud services provided on a subscription basis is recognized ratably over the contract term as the customer receives and consumes the benefits of the cloud services.

Collaborative Arrangements. We collaborate with established cinema exhibitors to offer Dolby Cinema, a branded premium cinema offering for movie audiences. Under such collaborations, Dolby and the exhibitor are both active participants, and share the risks and rewards associated with the business. Accordingly, these collaborations are governed by revenue sharing arrangements under which Dolby receives revenue based on box office receipts, reported to Dolby by exhibitor partners on a monthly or quarterly basis, our proprietary designs and trademarks as well as for the use of our equipment at the exhibitor's venue. The use of our product solution meets the definition of a lease, and for the related portion of Dolby's share of revenue, we apply ASC 842, *Leases*, and recognize revenue based on monthly box office reports from exhibitors. Our revenue share is recognized as licensing revenue in our unaudited interim condensed consolidated statements of operations.

In addition, we also enter into hybrid agreements where a portion of our revenue share involves guaranteed payments, which in some cases result in classifying the arrangement as a sales-type lease. In such arrangements, we consider control to transfer at the point in time to which we have installed and tested the equipment, at which point we record such guaranteed payments as product revenue.

Via Administration Fee. We generate service fees for managing patent pools on behalf of third party patent owners through our subsidiary, Via. As an agent to licensors in the patent pool, Via receives a share of the sales-based royalty that the patent pool licensors earn from licensees. As such, we apply the sales-based royalty exception as the service provided is directly related to the patent pool licensors' provision of IP, which results in recognition based on estimates of the licensee's quarter shipments that use the pool's patents. In addition to sales-based royalties, Via also has contracts where the fees are fixed. The revenue share Via receives from licensors on fixed fee contracts is recognized over the term in which we are providing services associated with the fixed fee contract. We recognize our administrative fees net of the consideration paid to the patent licensors in the pool as licensing revenue. See Note 16 "*Subsequent Event*" to our unaudited interim condensed consolidated financial statements for a description of the recent business combination of Via and MPEG LA, L.L.C.

Deferred revenue, which is a component of contract liabilities, represents amounts that are ultimately expected to be recognized as revenue, but for which we have yet to satisfy the performance obligation. As of March 31, 2023, we had $45.5 million of remaining performance obligations, 35% of which we expect to recognize as revenue in fiscal 2023, 24% in fiscal 2024, and the balance of 41% in fiscal years beyond 2024.

F. *Disaggregation of Revenue*

The following table presents a summary of the composition of our revenue for all periods presented (in thousands, except percentage amounts):

	Fiscal Quarter Ended				Fiscal Year-To-Date Ended			
Revenue	**March 31, 2023**		**April 1, 2022**		**March 31, 2023**		**April 1, 2022**	
Licensing	$ 351,608	94 %	$ 313,833	94 %	$ 659,619	93 %	$ 646,117	94 %
Products and services	24,283	6 %	20,538	6 %	51,193	7 %	39,887	6 %
Total revenue	**$ 375,891**	**100 %**	**$ 334,371**	**100 %**	**$ 710,812**	**100 %**	**$ 686,004**	**100 %**

The following table presents the composition of our licensing revenue for all periods presented (in thousands, except percentage amounts):

	Fiscal Quarter Ended				Fiscal Year-To-Date Ended			
Market	**March 31, 2023**		**April 1, 2022**		**March 31, 2023**		**April 1, 2022**	
Broadcast	$ 128,971	37 %	$ 104,481	33 %	$ 246,305	37 %	$ 226,114	35 %
Mobile	93,126	26 %	66,055	21 %	157,412	24 %	140,975	22 %
CE	39,015	12 %	53,956	17 %	94,098	14 %	111,529	17 %
PC	43,347	12 %	57,466	18 %	67,633	10 %	92,243	14 %
Other	47,149	13 %	31,875	11 %	94,171	15 %	75,256	12 %
Total licensing revenue	**$ 351,608**	**100 %**	**$ 313,833**	**100 %**	**$ 659,619**	**100 %**	**$ 646,117**	**100 %**

We license our technologies in approximately 70 countries, and our licensees distribute products that incorporate our technologies throughout the world. We generate the majority of our revenue from outside the U.S. Geographic data for our licensing revenue is based on the location of our licensees' headquarters, products revenue is based on the destination to which we ship our products, and services revenue is based on the location where services are performed. The following table presents the composition of our revenue by geographic location for all periods presented (in thousands, except percentage amounts):

	Fiscal Quarter Ended				Fiscal Year-To-Date Ended			
Geographic Location	**March 31, 2023**		**April 1, 2022**		**March 31, 2023**		**April 1, 2022**	
United States	$ 177,082	47 %	$ 173,287	52 %	$ 277,344	39 %	$ 297,209	43 %
International	198,809	53 %	161,084	48 %	433,468	61 %	388,795	57 %
Total revenue	**$ 375,891**	**100 %**	**$ 334,371**	**100 %**	**$ 710,812**	**100 %**	**$ 686,004**	**100 %**

G. *Contract Balances*

Our contract assets represent rights to consideration from licensees for the use of our IP that we have estimated in a given period in the absence of receiving actual royalty statements from licensees. These estimates reflect our best judgment at that time, and are developed using a number of inputs, including historical data, industry estimates of expected shipments, anticipated sales price and performance, and third party data supporting the percentage of markets using our technologies. In the event that our estimates differ from actual amounts reported, we record an adjustment in the quarter in which the royalty statement is received, which is typically the quarter following our estimate. Actual amounts reported are typically paid within 60 days following the end of the quarter of shipment. The main drivers for change in the contract assets account are variances in quarterly estimates, and to a lesser degree, timing of receipt of actual royalty statements.

Our contract liabilities consist of advance payments and billings in advance of performance and deferred revenue that is typically satisfied within one year. The non-current portion of contract liabilities is separately disclosed in our unaudited interim condensed consolidated balance sheets. We present the net contract asset or liability when we have both contract assets and contract liabilities for a single contract. We recognized $4.6 million in the second quarter of fiscal 2023 and $11.6 million in the fiscal year-to-date period ended March 31, 2023 from prior period deferred revenue.

The following table presents a summary of the balances to which contract assets and liabilities related to revenue are recorded for all periods presented (in thousands, except percentage amounts):

	March 31, 2023	**September 30, 2022**	**Change ($)**	**Change (%)**
Accounts receivable, net	$ 283,315	$ 243,593	$ 39,722	16 %
Contract assets, net	275,262	176,093	99,169	56 %
Contract liabilities - current	22,963	18,588	4,375	24 %
Contract liabilities - non-current	22,721	23,203	(482)	(2)%

4. Composition of Certain Financial Statement Captions

The following tables present detailed information from our unaudited interim condensed consolidated balance sheets as of March 31, 2023 and September 30, 2022 (in thousands).

Accounts Receivable and Contract Assets

	March 31, 2023	September 30, 2022
Trade accounts receivable	$ 178,079	$ 162,531
Accounts receivable from patent administration program licensees	115,227	92,896
Contract assets	275,390	176,218
Accounts receivable and contract assets, gross	568,696	431,645
Less: allowance for credit losses on accounts receivable and contract assets	(10,119)	(11,959)
Total accounts receivable and contract assets, net	**$ 558,577**	**$ 419,686**

Trade accounts receivable of $178.1 million and $162.5 million as of March 31, 2023 and September 30, 2022, respectively, includes unbilled accounts receivable balances of $118.0 million and $106.9 million as of March 31, 2023 and September 30, 2022, respectively, related to amounts that are contractually owed. The unbilled balance represents our unconditional right to consideration related to fixed fee contracts which we are entitled to as a result of satisfying, or partially satisfying, performance obligations, as well as Via's unconditional right to consideration related to their patent administration programs.

Allowance for Credit Losses	Beginning Balance	Charges/(Credits) to S&M and G&A	Additions/(Deductions)	Ending Balance
For fiscal year-to-date period ended:				
September 30, 2022	$ 8,952	$ 5,460	$ (7)	$ 14,405
March 31, 2023	14,405	(2,072)	(46)	12,287

Allowance for credit losses includes the provision for estimated credit losses on our sales-type leases, which was not material as of March 31, 2023 and as of September 30, 2022.

Inventories

	March 31, 2023	September 30, 2022
Raw materials	$ 7,775	$ 10,026
Work in process	3,708	4,955
Finished goods	18,870	8,568
Total inventories	**$ 30,353**	**$ 23,549**

Inventories are stated at the lower of cost and net realizable value. Inventory with a consumption period expected to exceed twelve months is recorded within other non-current assets in our unaudited interim condensed consolidated balance sheets. We have included $2.3 million and $2.8 million of raw materials inventory within non-current assets as of March 31, 2023 and September 30, 2022, respectively. Based on anticipated inventory consumption rates, and aside from existing write-downs due to excess inventory, we do not believe that material risk of obsolescence exists prior to ultimate sale.

Prepaid Expenses and Other Current Assets

	March 31, 2023	September 30, 2022
Prepaid expenses	$ 25,539	$ 26,851
Other current assets	28,314	23,224
Total prepaid expenses and other current assets	**$ 53,853**	**$ 50,075**

Accrued Liabilities

	March 31, 2023	September 30, 2022
Amounts payable to patent administration program partners	$ 78,142	$ 63,106
Accrued compensation and benefits	80,498	84,111
Accrued professional fees	21,083	13,057
Unpaid property, plant, and equipment additions	17,774	15,428
Accrued customer refunds	3,856	3,674
Accrued market development funds	11,279	7,206
Other accrued liabilities	34,125	43,655
Total accrued liabilities	**$ 246,757**	**$ 230,237**

Other Non-Current Liabilities

	March 31, 2023	September 30, 2022
Supplemental retirement plan obligations	$ 3,902	$ 4,127
Non-current tax liabilities [(1)]	93,465	83,758
Other liabilities	10,799	12,237
Total other non-current liabilities	**$ 108,166**	**$ 100,122**

(1) Refer to Note 12 "*Income Taxes*" for additional information related to our tax liabilities.

5. Investments and Fair Value Measurements

We use cash holdings to purchase investment grade securities diversified among security types, industries, and issuers. All of our investments in debt securities are measured at fair value, and are recorded within cash equivalents and both short-term and long-term investments in our unaudited interim condensed consolidated balance sheets. With the exception of our mutual fund investments held in our SERP and classified as trading securities and our other long-term investments, all of our investments are classified as AFS securities. Derivative contracts are used to hedge currency risk, and these are carried at fair value and classified as other assets and other liabilities.

Our investments in debt securities consist of government bonds, corporate bonds, municipal debt securities, certificates of deposit, commercial paper, and U.S. agency securities. In addition, our cash and cash equivalents also consist of highly-liquid money market funds and U.S. agency securities. Consistent with our investment policy, none of our municipal debt investments are supported by letters of credit or standby purchase agreements. Our cash and investment portfolio consisted of the following (in thousands):

	March 31, 2023						
		Unrealized			Estimated Fair Value		
	Cost	Gains	Losses	Total	Level 1	Level 2	Level 3
Cash and cash equivalents:							
Cash	$ 597,659	$ —	$ —	$ 597,659	$ 597,659	$ —	$ —
Cash equivalents:							
Money market funds	90,784	—	—	90,784	90,784	—	—
Cash and cash equivalents	688,443	—	—	688,443	688,443	—	—
Short-term investments:							
Certificate of deposit	13,145	2	(41)	13,106	—	13,106	—
U.S. agency securities	1,450	—	(31)	1,419	—	1,419	—
Government bonds	46,417	1	(879)	45,539	41,598	3,941	—
Commercial paper	6,892	—	(13)	6,879	—	6,879	—
Corporate bonds	35,796	—	(239)	35,557	—	35,557	—
Municipal debt securities	24,026	13	(146)	23,893	—	23,893	—
Short-term investments	127,726	16	(1,349)	126,393	41,598	84,795	—
Long-term investments:							
Government bonds	33,745	102	(828)	33,019	32,132	887	—
Corporate bonds	35,005	40	(857)	34,188	—	34,188	—
Municipal debt securities	23,489	127	(247)	23,369	—	23,369	—
Other investments [1]	10,221	—	—	10,221	—	—	—
Long-term investments	102,460	269	(1,932)	100,797	32,132	58,444	—
Total cash, cash equivalents, and investments	**$ 918,629**	**$ 285**	**$ (3,281)**	**$ 915,633**	**$ 762,173**	**$ 143,239**	**$ —**
Investments held in supplemental retirement plan:							
Assets	$ 4,000	$ —	$ —	$ 4,000	$ 4,000	$ —	$ —
Included in prepaid expenses and other current assets and other non-current assets							
Liabilities	$ 4,000	$ —	$ —	$ 4,000	$ 4,000	$ —	$ —
Included in accrued liabilities and other non-current liabilities							
Currency derivatives as hedge instruments:							
Assets: Included in other current assets	$ —	$ 641	$ —	$ 641	$ —	$ 641	$ —
Liabilities: Included in other accrued liabilities	—	—	(299)	(299)	—	(299)	—

(1) Other investments as of March 31, 2023 is comprised of an equity method investment of $5.2 million and an equity security without a readily determinable fair value of $5.0 million. The equity method investment is measured at cost minus impairment, if any, adjusted for our proportionate share of the investee's net income or loss. Our share of the equity method investee's net income or loss is included in other income/(expense), net on the unaudited interim condensed consolidated statements of operations, and was not material in the second quarters of fiscal 2023 and fiscal 2022, and fiscal year-to-date period ended April 1, 2022.Our share of the equity method investee's net income was $1.7 million in fiscal year-to-date period ended March 31, 2023.

	September 30, 2022						
		Unrealized			Estimated Fair Value		
	Cost	Gains	Losses	Total	Level 1	Level 2	Level 3
Cash and cash equivalents:							
Cash	$ 474,813	$ —	$ —	$ 474,813	$ 474,813	$ —	$ —
Cash equivalents:							
Money market funds	134,987	—	—	134,987	134,987	—	—
U.S. agency securities	10,328	—	(1)	10,327	—	10,327	—
Cash and cash equivalents	620,128	—	(1)	620,127	609,800	10,327	—
Short-term investments:							
Certificate of deposit	23,033	8	(47)	22,994	—	22,994	—
U.S. agency securities	3,412	—	(21)	3,391	—	3,391	—
Government bonds	57,417	—	(705)	56,712	52,833	3,879	—
Commercial paper	8,786	1	(15)	8,772	—	8,772	—
Corporate bonds	72,730	—	(734)	71,996	—	71,996	—
Municipal debt securities	25,589	—	(241)	25,348	—	25,348	—
Short-term investments	190,967	9	(1,763)	189,213	52,833	136,380	—
Long-term investments:							
U.S. agency securities	861	—	(39)	822	—	822	—
Government bonds	43,816	—	(2,222)	41,594	38,055	3,539	—
Corporate bonds	29,684	4	(1,349)	28,339	—	28,339	—
Municipal debt securities	21,483	—	(626)	20,857	—	20,857	—
Other investments [1]	10,902	—	—	10,902	—	—	—
Long-term investments	106,746	4	(4,236)	102,514	38,055	53,557	—
Total cash, cash equivalents, and investments	**$ 917,841**	**$ 13**	**$ (6,000)**	**$ 911,854**	**$ 700,688**	**$ 200,264**	**$ —**
Investments held in supplemental retirement plan:							
Assets	$ 4,225	$ —	$ —	$ 4,225	$ 4,225	$ —	$ —
Included in prepaid expenses and other current assets and other non-current assets							
Liabilities	$ 4,225	$ —	$ —	$ 4,225	$ 4,225	$ —	$ —
Included in accrued liabilities and other non-current liabilities							
Currency derivatives as hedge instruments:							
Liabilities: Included in other accrued liabilities	$ —	$ —	$ (4,882)	$ (4,882)	$ —	$ (4,882)	$ —
Liabilities: Included in other non-current liabilities	—	—	(420)	(420)	—	(420)	—

(1) Other investments as of September 30, 2022 is comprised of an equity method investment of $5.9 million and an equity security without a readily determinable fair value of $5.0 million.

Fair Value Hierarchy. Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. We minimize the use of unobservable inputs and use observable market data, if available, when determining fair value. We classify our inputs to measure fair value using the following three-level hierarchy:

Level 1: Quoted prices in active markets at the measurement date for identical assets and liabilities. We base the fair value of our Level 1 financial instruments, which are traded in active markets, using quoted market prices for identical instruments.

Level 2: Prices may be based upon quoted prices in active markets or inputs not quoted on active markets but are corroborated by market data. We obtain the fair value of our Level 2 financial instruments from a professional pricing service, which may use quoted market prices for identical or comparable instruments, or model driven valuations using observable market data or inputs corroborated by observable market data. To validate the fair value determination provided by our primary pricing service, we perform quality controls over values received which include comparing our pricing service provider's assessment of the fair values of our investment securities against the fair values of our investment securities obtained from another independent source, reviewing the pricing movement in the context of overall market trends, and reviewing trading information from our investment managers. In addition, we assess the inputs and methods used in determining the fair value in order to determine the classification of securities

in the fair value hierarchy. The fair value of the currency derivatives are calculated from market spot rates, forward rates, interest rates, and credit ratings at the end of the period.

Level 3: Unobservable inputs are used when little or no market data is available and reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Securities In Gross Unrealized Loss Position. We periodically evaluate our investments for impairment by comparing the fair value with the cost basis for each of our investment securities. The unrealized losses on our AFS securities were primarily the result of unfavorable changes in interest rates subsequent to the initial purchase of these securities. The following table presents the gross unrealized losses and fair value for those AFS securities that were in an unrealized loss position for less than twelve months and for greater than twelve months as of March 31, 2023 and September 30, 2022 (in thousands):

	March 31, 2023				September 30, 2022			
	Less Than 12 Months		Greater Than 12 Months		Less Than 12 Months		Greater Than 12 Months	
Investment Type	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Certificate of deposit	$ 9,882	$ (41)	$ —	$ —	$ 10,352	$ (47)	$ —	$ —
U.S. agency securities	880	(15)	539	(16)	13,144	(5)	1,395	(55)
Government bonds	13,629	(108)	49,976	(1,598)	89,741	(2,593)	8,566	(332)
Commercial paper	4,321	(13)	—	—	5,770	(15)	—	—
Corporate bonds	40,955	(413)	19,591	(683)	81,044	(1,523)	18,306	(561)
Municipal debt securities	24,633	(173)	10,043	(220)	40,119	(712)	3,336	(156)
Total	**$ 94,300**	**$ (763)**	**$ 80,149**	**$ (2,517)**	**$ 240,170**	**$ (4,895)**	**$ 31,603**	**$ (1,104)**

Although we had certain securities that were in an unrealized loss position as of March 31, 2023 and September 30, 2022, we expect to recover the full carrying value of these securities.

Investment Maturities. The following table summarizes the amortized cost and estimated fair value of the AFS securities within our investment portfolio based on stated maturities as of March 31, 2023 and September 30, 2022, which are recorded within cash equivalents and both short and long-term investments in our unaudited interim condensed consolidated balance sheets (in thousands):

	March 31, 2023		September 30, 2022	
Range of maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	$ 218,820	$ 217,487	$ 336,291	$ 334,537
Due in 1 to 2 years	59,149	57,449	53,721	51,332
Due in 2 to 5 years	33,090	33,127	42,122	40,280
Total	**$ 311,059**	**$ 308,063**	**$ 432,134**	**$ 426,149**

6. Property, Plant, and Equipment

PP&E are recorded at cost, with depreciation expense included in cost of licensing, cost of products and services, R&D, S&M, and G&A expenses in our unaudited interim condensed consolidated statements of operations.

As of March 31, 2023 and September 30, 2022, PP&E consisted of the following (in thousands):

Property, Plant, and Equipment	March 31, 2023	September 30, 2022
Land	$ 41,915	$ 41,774
Buildings and building improvements	287,049	287,544
Leasehold improvements	83,427	86,793
Machinery and equipment	135,841	136,995
Computer equipment and software	236,883	232,108
Furniture and fixtures	33,639	33,797
Equipment provided under operating leases	234,706	229,177
Construction-in-progress	23,953	23,037
Property, plant, and equipment, gross	1,077,413	1,071,225
Less: accumulated depreciation	(569,392)	(557,744)
Property, plant, and equipment, net	**$ 508,021**	**$ 513,481**

7. Leases

As Lessee

As a lessee, we enter into contracts to access and utilize office space, including those payable to our principal stockholder and portions attributable to the noncontrolling interests in our consolidated subsidiaries. The following table presents the maturity analysis of lease liabilities (in thousands):

	March 31, 2023
	Operating Leases
Remainder of Fiscal 2023	$ 7,240
Fiscal 2024	13,622
Fiscal 2025	10,138
Fiscal 2026	6,314
Fiscal 2027	3,993
Thereafter	11,505
Total undiscounted lease payments	52,812
Less: imputed interest	(4,944)
Total lease liabilities	**$ 47,868**

As Lessor

As a lessor, we lease our Dolby Cinema product solution to exhibitors. The terms of these leases are typically 10 years. Lease components consist of fixed payments and/or variable lease payments based on contracted percentages of revenue. Generally, leases do not grant any right to the lessee to purchase the underlying asset at the end of the lease term. Dolby Cinema lease arrangements have options to extend the lease term at expiration by increments ranging from 1 to 5 years.

Assets provided under an operating lease are carried at cost within property, plant, and equipment, net on the unaudited interim condensed consolidated balance sheets, and depreciated over the useful life of the asset using the straight-line method. Fixed operating lease payments are recognized on a straight-line basis over the lease term to revenue. Variable lease payments received under our Dolby Cinema operating leases are computed as shares of lessees' box office revenue and recognized to revenue in the period that box office sales occur. Lease incentive payments we make to lessees are amortized as a reduction in revenue over the lease term. The components of lease income were as follows (in thousands):

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Operating Lease Income				
Variable operating lease income	$ 10,657	$ 6,409	$ 16,985	$ 14,477
Fixed operating lease income	781	691	1,528	1,547

If a lease is classified as a sales-type lease, the carrying amount of the asset is derecognized from property, plant, and equipment, net, and a net investment in the lease is recorded. The net investment in the lease is measured at commencement date as the sum of the lease receivable and the estimated residual value of the equipment. The unguaranteed residual value of the equipment is determined as the estimated carrying value of the asset at the end of the lease term had the asset been depreciated on a straight-line basis. The unguaranteed residual value of sales-type leases was $1.0 million and $1.1 million as of March 31, 2023 and September 30, 2022, respectively. Selling profit or loss arising from a sales-type lease is recorded at lease commencement and presented on a gross basis. Over the term of the lease, we recognize interest income on the net investment in the lease, and variable lease payments, which are not included in the net investment in the lease. The variable lease payments are not material.

The following table presents the maturity analysis of fixed lease payments due to Dolby (in thousands):

	March 31, 2023	
	Operating Leases	Sales-Type Leases
Remainder of Fiscal 2023	$ 54	$ 1,595
Fiscal 2024	798	795
Fiscal 2025	818	395
Fiscal 2026	732	395
Fiscal 2027	—	—
Thereafter	—	—
Total undiscounted cash flows	$ 2,402	3,180
Less: Carrying value of lease receivables		(487)
Difference		**$ 2,693**

8. Goodwill and Intangible Assets

Goodwill

The following table outlines changes to the carrying amount of goodwill (in thousands):

	Goodwill
Balance at September 30, 2022	**$ 365,147**
Translation adjustments	4,987
Balance at March 31, 2023	**$ 370,134**

Intangible Assets

Intangible assets are stated at their original cost less accumulated amortization, and principally consist of acquired patents, technology, customer relationships and contracts, and trademarks. Intangible assets subject to amortization consisted of the following (in thousands):

	March 31, 2023			September 30, 2022		
Intangible Assets, Net	**Cost**	**Accumulated Amortization**	**Net**	**Cost**	**Accumulated Amortization**	**Net**
Acquired patents and technology	$ 356,935	$ (265,914)	$ 91,021	$ 355,622	$ (253,080)	$ 102,542
Customer relationships	66,187	(58,417)	7,770	66,142	(56,572)	9,570
Other intangible assets	23,028	(22,943)	85	22,973	(22,820)	153
Total	**$ 446,150**	**$ (347,274)**	**$ 98,876**	**$ 444,737**	**$ (332,472)**	**$ 112,265**

During the fiscal year-to-date period ended April 1, 2022, we purchased various patents for purchase consideration of $11.5 million, and upon acquisition, these intangible assets had a weighted-average useful life of 16.0 years. These intangible assets facilitate our R&D efforts, technologies, and potential product offerings. There were no purchases of intangible assets during the second quarter of fiscal 2023 and the fiscal year-to-date period ended March 31, 2023.

Amortization expense for our intangible assets is included in cost of licensing, cost of products and services, R&D, S&M, and G&A expenses in our unaudited interim condensed consolidated statements of operations. Amortization expense was $7.0 million and $7.6 million in the second quarters of fiscal 2023 and 2022, respectively, and $13.3 million and $15.6 million in the fiscal year-to-date periods ended March 31, 2023 and April 1, 2022, respectively. As of March 31, 2023, expected amortization expense of our intangible assets in future fiscal periods was as follows (in thousands):

Fiscal Year	**Amortization Expense**
Remainder of 2023	$ 12,349
2024	23,773
2025	8,860
2026	7,969
2027	7,285
Thereafter	38,640
Total	**$ 98,876**

9. Stockholders' Equity and Stock-Based Compensation

We provide stock-based awards as a form of compensation for employees, officers, and directors. We issue stock-based awards in the form of stock options and RSUs under our equity incentive plans, as well as shares under our ESPP.

Common Stock - Class A and Class B

Our Board of Directors has authorized two classes of common stock, Class A and Class B. As of March 31, 2023, we had authorized 500,000,000 Class A shares and 500,000,000 Class B shares. As of March 31, 2023, we had 59,671,342 shares of Class A common stock and 36,085,779 shares of Class B common stock issued and outstanding. Holders of our Class A and Class B common stock have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to ten votes per share. Shares of Class B common stock can be converted to shares of Class A common stock at any time at the option of the stockholder and automatically convert upon sale or transfer, except for certain transfers specified in our amended and restated certificate of incorporation.

Stock Incentive Plans

Following shareholder approval in January 2005, our 2005 Stock Plan was adopted by our Board of Directors on February 16, 2005. In February 2020, our stockholders approved the name change of our 2005 Stock Plan to the 2020 Stock Plan and certain other changes described in our proxy statement for our 2020 annual meeting of stockholders. Our 2020 Stock Plan, as amended and restated, provides for the ability to grant incentive stock options, non-qualified stock options, restricted stock, RSUs, stock appreciation rights, deferred stock units, performance units, performance bonus awards, and performance shares. A total of 64.0 million shares of our Class A common stock have been authorized for issuance under the 2020 Stock Plan in total since inception of the plan. For awards granted prior to February 2011, any shares subject to an award with a per share price less than the fair market value of our Class A common stock on the date of grant and any shares subject to an outstanding RSU award will be counted against the authorized share reserve as two shares for every one share subject to the award, and if returned to the 2020 Stock Plan, such shares will be counted as two shares for every one share returned. For those awards granted from February 2011 onward, any shares subject to an award with a per share price less than the fair market value of our Class A common stock on the date of grant and any shares subject to an outstanding RSU award will be counted against the authorized share reserve as 1.6 shares for every one share subject to the award, and if returned to the 2020 Stock Plan, such shares will be counted as 1.6 shares for every one share returned.

Stock Options. Stock options are granted at fair market value on the date of grant. Options granted to employees and officers generally vest over four years, with 25% of the options becoming exercisable on the one-year anniversary of the date of grant and the balance of the shares vesting in equal monthly installments over the following 36 months. These options expire on the earlier of ten years after the date of grant or three months after termination of service. All options granted vest over the requisite service period and upon the exercise of stock options, we issue new shares of Class A common stock under the 2020 Stock Plan. Our 2020 Stock Plan also allows us to grant stock awards which vest based on the satisfaction of specific performance criteria.

Performance-Based Stock Options. From fiscal 2016 through fiscal 2019, we granted PSOs to our executive officers with shares of our Class A common stock underlying such options. The contractual term for the PSOs was seven years, with vesting contingent upon market-based performance conditions, representing the achievement of specified Dolby annualized TSR targets at the end of a three-year measurement period following the date of grant. Anywhere from 0% to 125% of the shares subject to a PSO vested based on achievement of the performance conditions at the end of the three-year performance period.

In valuing the PSOs, which will be recognized as compensation cost, we used a Monte Carlo valuation model. Aside from the use of an expected term for the PSOs commensurate with their shorter contractual term, the nature of the valuation inputs used in the Monte Carlo valuation model were consistent with those used to value our non-performance based options granted under the 2020 Stock Plan. Compensation cost is being amortized on a straight-line basis over the requisite service period.

The following table summarizes information about PSOs granted to our executive officers that have vested during the periods presented:

Grant Date	Aggregate Shares Granted at Target Award	Aggregate Shares Exercisable at Vest Date [1]	Percentage Vested of Target Award	Vested Date
December 15, 2018	241,100	158,700	75 %	December 2021

(1) Aggregate shares exercisable at vest date does not include any shares that were cancelled before the vest date after they were granted.

As of March 31, 2023, an aggregate of 315,839 shares of PSOs were exercisable and outstanding.

The following table summarizes information about stock options, including PSOs, issued under our 2020 Stock Plan:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value [1]
	(in thousands)		*(in years)*	*(in thousands)*
Options outstanding at September 30, 2022	4,059	$ 62.59		
Grants	326	71.07		
Exercises	(325)	42.52		
Options outstanding at March 31, 2023	4,060	64.92	5.61	$ 86,066
Options vested and expected to vest at March 31, 2023	3,896	64.64	5.52	85,167
Options exercisable at March 31, 2023	**3,059**	**$ 60.74**	**4.71**	**77,350**

(1) Aggregate intrinsic value is based on the closing stock price of our Class A common stock on March 31, 2023 of $85.42 and excludes the impact of options that were not in-the-money.

Restricted Stock Units. In fiscal 2008, we began granting RSUs to certain directors, officers and employees. Awards granted to employees and officers generally vest over four years, with equal annual cliff-vesting. Awards granted from November 2010 onward to ongoing directors generally vest over approximately one year. Awards granted to new directors from fiscal 2014 onward vest on the earlier of the first anniversary of the award's date of grant, or the day immediately preceding the date of the next annual meeting of stockholders that occurs after the award's date of grant. At each vesting date, the holder of the award is issued shares of our Class A common stock. Compensation expense from these awards is equal to the adjusted fair market value of our Class A common stock on the date of grant, discounted to account for dividend payments forgone during the vesting period, and is recognized on a straight-line basis over the requisite service period. Certain grants may have other vesting conditions or other award terms as approved by the Compensation Committee of our Board of Directors. Our 2020 Stock Plan also allows us to grant RSUs that vest based on the satisfaction of specific performance criteria.

Performance-Based Restricted Stock Units. In fiscal 2020, we began granting PSUs to our executive officers with shares of our Class A common stock underlying such awards. The terms of the PSU Agreement adopted in the first quarter fiscal 2020 provide for the grant of PSUs to our executive officers contingent on Dolby's achievement of annualized TSR targets measured against a comparator index over a three-year performance period following the date of grant. Anywhere from 0% to 200% of eligible restricted stock units may vest based on achievement of the performance conditions at the end of the three-year performance period. The value of the PSUs, which is recognized as compensation cost, is calculated using a Monte Carlo valuation model. Compensation cost is being amortized on a straight-line basis over the requisite service period. Certain grants may have other vesting conditions or other award terms as approved by the Compensation Committee of our Board of Directors.

On December 15, 2022, we granted PSUs to our executive officers for an aggregate of 90,613 shares, which would vest at 181,226 at 200% of the target award amount. On December 15, 2021, we granted PSUs to our executive officers vesting for an aggregate of 60,301 shares at the target award amount, which would vest at 120,602 shares at 200% of the target award amount. On December 15, 2020, we granted PSUs to our executive officers vesting for an aggregate of 66,138 shares at the target award amount, which would vest at 132,276 shares at 200% of the target award amount. On December 16, 2019, we granted PSUs to our executive officers for an aggregate of 62,000 shares, which vested in December 2022 at 81% of the target award amount. As of March 31, 2023, PSUs which would vest for an aggregate of 204,709 shares at the target award amount (409,418 shares at 200% of the target award amount) were outstanding.

The following table summarizes information about RSUs, including PSUs, issued under our 2020 Stock Plan:

	Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Non-vested at September 30, 2022	3,502	$ 83.09
Granted	1,591	68.93
Vested	(1,103)	78.22
Forfeitures	(106)	79.95
Non-vested at March 31, 2023	**3,884**	**$ 78.76**

Employee Stock Purchase Plan. Our plan allows eligible employees to have up to 10 percent of their eligible compensation withheld and used to purchase Class A common stock, subject to a maximum of $25,000 worth of stock purchased in a calendar year or no more than 1,000 shares in an offering period, whichever is less. An offering period consists of successive six-month purchase periods, with a look back feature to our stock price at the commencement of a one-year offering period. The plan provides for a discount equal to 15 percent of the lower of the closing price of our Class A common stock on the NYSE on the first and last day of the offering periods. The plan also includes an automatic reset feature that provides for an offering period to be reset and recommenced to a new lower-priced offering if the offering price of a new offering period is less than that of the immediately preceding offering period.

Stock Option Valuation Assumptions

We use the Black-Scholes option pricing model to determine the estimated fair value of employee stock options at the date of the grant. The Black-Scholes model includes inputs that require us to make certain estimates and assumptions regarding the expected term of the award, as well as the future risk-free interest rate, and the volatility of our stock price over the expected term of the award.

Expected Term. The expected term of an award represents the estimated period of time that options granted will remain outstanding, and is measured from the grant date to the date at which the option is either exercised or canceled. Our determination of the expected term involves an evaluation of historical terms and other factors such as the exercise and termination patterns of our employees who hold options to acquire our Class A common stock, and is based on certain assumptions made regarding the future exercise and termination behavior.

Risk-Free Interest Rate. The risk-free interest rate is based on the yield curve of U.S. Treasury instruments in effect on the date of grant. In determining an estimate for the risk-free interest rate, we use average interest rates based on these instruments' constant maturities with a term that approximates and corresponds with the expected term of our awards.

Expected Stock Price Volatility. The expected volatility represents the estimated volatility in the price of our Class A common stock over a time period that approximates the expected term of the awards. The expected volatility has historically been determined using a blended combination of historical and implied volatility, but is currently being determined using historical volatility only. Historical volatility is representative of the historical trends in our stock price for periods preceding the measurement date for a period that is commensurate with the expected term. Implied volatility is based upon externally traded option contracts of our Class A common stock.

Dividend Yield. The dividend yield is based on our anticipated dividend payout over the expected term of our option awards. Dividend declarations and the establishment of future record and payment dates are subject to the Board of Directors' continuing determination that the dividend policy is in the best interests of our stockholders. The dividend policy may be changed or canceled at the discretion of the Board of Directors at any time.

The weighted-average assumptions used in the determination of the fair value of our stock options were as follows:

	Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022
Expected term (in years)	4.82	4.78
Risk-free interest rate	3.6 %	1.2 %
Expected stock price volatility	29.4 %	28.6 %
Dividend yield	1.6 %	1.1 %

There were no stock options granted during the second quarters of fiscal 2023 and fiscal 2022.

Stock-Based Compensation Expense

Stock-based compensation expense for equity awards granted to employees is determined by estimating their fair value on the date of grant, and recognizing that value as an expense on a straight-line basis over the requisite service period in which our employees earn the awards. Compensation expense related to these equity awards is recognized net of estimated forfeitures, which reduce the expense recorded in the unaudited interim condensed consolidated statements of operations. The selection of applicable estimated forfeiture rates is based on an evaluation of trends in our historical forfeiture data with consideration for other potential driving factors. If in subsequent periods actual forfeitures significantly differ from our initial estimates, we will revise such estimates accordingly.

The following two tables separately present stock-based compensation expense both by award type and classification in our unaudited interim condensed consolidated statements of operations (in thousands):

Expense - By Award Type

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Compensation expense				
Stock options	$ 2,008	$ 2,313	$ 4,413	$ 5,618
Restricted stock units [1] [2]	26,544	23,686	54,096	51,406
Employee stock purchase plan	1,275	1,700	2,558	3,331
Total stock-based compensation expense	29,827	27,699	61,067	60,355
Estimated benefit from income taxes	(4,497)	(4,412)	(9,199)	(9,531)
Total stock-based compensation, net of tax	**$ 25,330**	**$ 23,287**	**$ 51,868**	**$ 50,824**

(1) Stock-based compensation expense incurred by restricted stock units includes expense from PSUs.
(2) Excludes $0.3 million in second quarter of fiscal 2023 and $0.7 million in the fiscal year-to-date period ended March 31, 2023 of capitalized stock-based compensation related to internal-use software.

Expense - By Income Statement Line Item Classification

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Compensation expense				
Cost of products and services	$ 431	$ 402	$ 934	$ 992
Research and development	9,472	9,155	20,148	19,257
Sales and marketing	10,276	9,791	21,003	22,039
General and administrative	9,648	8,351	18,982	18,067
Total stock-based compensation expense	29,827	27,699	61,067	60,355
Estimated benefit from income taxes	(4,497)	(4,412)	(9,199)	(9,531)
Total stock-based compensation, net of tax	**$ 25,330**	**$ 23,287**	**$ 51,868**	**$ 50,824**

The tax benefit that we recognize from shares issued under our ESPP is excluded from the tables above. The tax benefit recognized was not material in the second quarters of fiscal 2023 and fiscal 2022, or in the fiscal year-to-date periods ended March 31, 2023 and April 1, 2022.

Unrecognized Compensation Expense. As of March 31, 2023, total unrecognized compensation expense associated with employee stock options expected to vest was approximately $14.9 million, which is expected to be recognized over a weighted-average period of 2.6 years. As of March 31, 2023, total unrecognized compensation expense associated with RSUs expected to vest was approximately $231.5 million, which is expected to be recognized over a weighted-average period of 2.8 years.

Common Stock Repurchase Program

In November 2009, we announced a stock repurchase program, providing for the repurchase of our Class A common stock. The following table summarizes the initial amount of authorized repurchases as well as additional repurchases approved by our Board of Directors as of March 31, 2023 (in thousands):

Date of Authorization	Authorization Amount
Fiscal 2010: November 2009	$ 250,000
Fiscal 2010: July 2010	300,000
Fiscal 2011: July 2011	250,000
Fiscal 2012: February 2012	100,000
Fiscal 2015: October 2014	200,000
Fiscal 2017: January 2017	200,000
Fiscal 2018: July 2018	350,000
Fiscal 2019: July 2019	350,000
Fiscal 2021: July 2021	350,000
Fiscal 2022: February 2022	250,000
Fiscal 2022: August 2022	350,000
Total	**$ 2,950,000**

Stock repurchases under the program may be made through open market transactions, negotiated purchases, or otherwise, at times and in amounts that we consider appropriate. The timing of repurchases and the number of shares repurchased depend upon a variety of factors, including price, regulatory requirements, the rate of dilution from our equity compensation plans, and other market conditions. The program does not have a specified expiration date, and can be limited, suspended, or terminated at our discretion at any time without prior notice. Shares repurchased under the program will be returned to the status of authorized but unissued shares of Class A common stock. As of March 31, 2023, the remaining authorization to purchase additional shares was $261.6 million.

The following table provides information regarding share repurchase activity under the program during fiscal 2023:

Quarterly Repurchase Activity	Shares Repurchased	Cost [1]	Average Price Paid Per Share [2]
		(in thousands)	
Q1 - Quarter ended December 30, 2022	680,861	$ 49,412	$ 72.57
Q2 - Quarter ended March 31, 2023	631,046	49,864	79.02
Total	**1,311,907**	**$ 99,276**	

(1) Cost of share repurchases includes the price paid per share, and excludes commission costs.
(2) Average price paid per share excludes commission costs.

Dividend Program

The following table summarizes dividends declared under the program during fiscal 2023:

Fiscal Period	Announcement Date	Record Date	Payment Date	Cash Dividend Per Common Share	Dividend Payment
Q1 - Quarter ended December 30, 2022	February 2, 2023	February 14, 2023	February 22, 2023	$ 0.27	$25.9 million
Q2 - Quarter ended March 31, 2023	May 4, 2023	May 16, 2023	May 23, 2023	$ 0.27	$25.9 million [1]

(1) The dividend payment amount for the dividend declared in the second quarter of fiscal 2023 is estimated based on the number of shares of our Class A and Class B common stock that we estimate will be outstanding as of the Record Date.

10. Accumulated Other Comprehensive Loss

Other comprehensive income/loss consists of three components: unrealized gains or losses on our AFS marketable investment securities, gains and losses on derivatives in cash flow hedge relationships not yet recognized in earnings, and the gains and losses from the translation of assets and liabilities denominated in non-U.S. dollar functional currencies. Until realized and reported as a component of net income, these comprehensive income items accumulate and are included within accumulated other comprehensive loss, a subsection within stockholders' equity in our unaudited interim condensed consolidated balance sheets. Unrealized gains and losses on our investment securities are reclassified from AOCI into earnings when realized upon sale, and are determined based on specific identification of securities sold. Unrealized gains and losses on our cash flow hedges are reclassified from AOCI into earnings when the hedged operating expenses are recognized, which is also when the gains and losses are realized.

The following table summarizes the changes in the accumulated balances during the period, and includes information regarding the manner in which the reclassifications out of AOCI into earnings affect our unaudited interim condensed consolidated statements of operations (in thousands):

	Fiscal Quarter Ended March 31, 2023				Fiscal Year-To-Date Ended March 31, 2023			
	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total
Beginning Balance	**$ (4,630)**	**$ (151)**	**$ (27,094)**	**$ (31,875)**	**$ (5,986)**	**$ (4,483)**	**$ (41,172)**	**$ (51,641)**
Other comprehensive income before reclassifications:								
Unrealized gains	1,572	372	—	1,944	3,104	5,552	—	8,656
Foreign currency translation gains [1]	—	—	2,423	2,423	—	—	16,501	16,501
Income tax effect - expense	—	(61)	—	(61)	—	(61)	—	(61)
Net of tax	1,572	311	2,423	4,306	3,104	5,491	16,501	25,096
Amounts reclassified from AOCI into earnings:								
Realized gains/(losses) [2]	62	86	—	148	(151)	(918)	—	(1,069)
Income tax effect - benefit/(expense) [3]	1	(6)	—	(5)	38	150	—	188
Net of tax	63	80	—	143	(113)	(768)	—	(881)
Net current-period other comprehensive income	**1,635**	**391**	**2,423**	**4,449**	**2,991**	**4,723**	**16,501**	**24,215**
Ending Balance	**$ (2,995)**	**$ 240**	**$ (24,671)**	**$ (27,426)**	**$ (2,995)**	**$ 240**	**$ (24,671)**	**$ (27,426)**

	Fiscal Quarter Ended April 1, 2022				Fiscal Year-To-Date Ended April 1, 2022			
	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total
Beginning Balance	**$ (284)**	**$ 115**	**$ (11,352)**	**$ (11,521)**	**$ 220**	**$ (122)**	**$ (10,128)**	**$ (10,030)**
Other comprehensive income/(loss) before reclassifications:								
Unrealized gains/(losses)	(3,595)	(97)	—	(3,692)	(4,557)	356	—	(4,201)
Foreign currency translation losses [1]	—	—	(619)	(619)	—	—	(1,809)	(1,809)
Income tax effect - benefit/(expense)	—	(48)	34	(14)	—	(97)	—	(97)
Net of tax	(3,595)	(145)	(585)	(4,325)	(4,557)	259	(1,809)	(6,107)
Amounts reclassified from AOCI into earnings:								
Realized gains/(losses) [2]	80	87	—	167	542	(98)	—	444
Income tax effect - benefit/(expense) [3]	(1)	(1)	—	(2)	(5)	17	—	12
Net of tax	79	86	—	165	537	(81)	—	456
Net current-period other comprehensive income/(loss)	**(3,516)**	**(59)**	**(585)**	**(4,160)**	**(4,020)**	**178**	**(1,809)**	**(5,651)**
Ending Balance	**$ (3,800)**	**$ 56**	**$ (11,937)**	**$ (15,681)**	**$ (3,800)**	**$ 56**	**$ (11,937)**	**$ (15,681)**

(1) The foreign currency translation gains during the second quarter of fiscal 2023 and the fiscal year-to-date period ended March 31, 2023 were primarily due to the strengthening of other foreign currencies as compared to the U.S. dollar.

(2) Realized gains or losses, if any, from the sale of our AFS investment securities or from foreign currency translation adjustments are included within other income/(expense), net in our unaudited interim condensed consolidated statements of operations. Realized gains or losses on foreign currency contracts designated as cash flow hedges are included in operating expenses in the unaudited interim condensed consolidated statements of operations.

(3) The income tax benefit or expense is included within provision for income taxes in our unaudited interim condensed consolidated statements of operations.

11. Earnings Per Share

Basic EPS is computed by dividing net income attributable to Dolby Laboratories, Inc. by the number of weighted-average shares of Class A and Class B common stock outstanding during the period. Through application of the treasury stock method, diluted EPS is computed in the same manner, except that the number of weighted-average shares outstanding is increased by the number of potentially dilutive shares from employee incentive plans during the period.

Basic and diluted EPS are computed independently for each fiscal quarter and year-to-date period, which involves the use of different weighted-average share count figures relating to quarterly and annual periods. As a result, and after factoring the effect of rounding to the nearest cent per share, the sum of all four quarter-to-date EPS figures may not equal year-to-date EPS.

Potentially dilutive shares represent the hypothetical number of incremental shares issuable under the assumed exercise of outstanding stock options (both vested and unvested) and vesting of outstanding RSUs. The calculation of dilutive shares outstanding excludes securities that would have an antidilutive effect on EPS.

The following table sets forth the computation of basic and diluted EPS attributable to Dolby Laboratories, Inc. (in thousands, except per share amounts):

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Numerator:				
Net income attributable to Dolby Laboratories, Inc.	$ 95,696	$ 36,720	$ 175,071	$ 116,734
Denominator:				
Weighted-average shares outstanding—basic	95,820	101,343	95,862	101,285
Potential common shares from options to purchase common stock	838	962	683	1,160
Potential common shares from restricted stock units	569	365	795	979
Potential common shares from employee stock purchase plan	71	37	52	53
Weighted-average shares outstanding—diluted	**97,298**	**102,707**	**97,392**	**103,477**
Net income per share attributable to Dolby Laboratories, Inc.:				
Basic	$ 1.00	$ 0.36	$ 1.83	$ 1.15
Diluted	$ 0.98	$ 0.36	$ 1.80	$ 1.13
Antidilutive awards excluded from calculation:				
Stock options	997	635	910	507
Restricted stock units	1,406	2,376	177	920
Employee stock purchase plan	—	15	5	—

12. Income Taxes

Our income tax expense, deferred tax assets and liabilities, and unrecognized tax benefits reflect management's best assessment of estimated current and future liabilities. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Unrecognized Tax Benefits

As of March 31, 2023, the total amount of gross unrecognized tax benefits was $77.4 million, of which $53.8 million, if recognized, would reduce our effective tax rate. As of September 30, 2022, the total amount of gross unrecognized tax benefits was $69.7 million, of which $44.0 million, if recognized, would reduce our effective tax rate. The fiscal year-to-date period ended March 31, 2023 increase was primarily due to current year reserves for transfer pricing and interest accruals. Our liability for unrecognized tax benefits is classified within other non-current liabilities in our unaudited interim condensed consolidated balance sheets.

Effective Tax Rate

Each period, the combination of multiple different factors can impact our effective tax rate. These factors include both recurring items such as tax rates and the relative amount of income earned in foreign jurisdictions, as well as discrete items that may occur in, but are not necessarily consistent between periods.

Our effective tax rate in the second quarter of fiscal 2023 was 18.2% or a tax expense of $21.4 million and our effective tax rate in the second quarter of fiscal 2022 was 16.0% or a tax expense of $6.9 million. The increase in our effective tax rate was primarily due to a shift in the mix of earnings to jurisdictions with higher tax rates and lower tax benefits related to settlement of stock-based awards.

Our effective tax rate in the fiscal year-to-date period ended March 31, 2023 was 19.3% or a tax expense of $41.9 million and our effective tax rate in the fiscal year-to-date period ended April 1, 2022 was 13.6% or a tax expense of $18.4 million. The increase in our effective tax rate was primarily due to lower tax benefits related to settlement of stock-based awards and a shift in the mix of earnings to jurisdictions with higher tax rates.

Compared to the Federal statutory rate of 21%, our effective tax rates for the second quarter of fiscal 2023 and fiscal year-to-date period ended March 31, 2023 were lower primarily due to the mix of earnings favoring jurisdictions with lower tax rates.

13. Restructuring

Restructuring charges recorded in our unaudited interim condensed consolidated statements of operations represent costs associated with separate individual restructuring plans implemented in various fiscal periods. Costs arising from these actions, including fluctuations in related balances between fiscal periods, are based on the nature of activities under the various plans.

Fiscal 2022 Restructuring Events. In January 2022, we implemented a restructuring plan within our entertainment organization to align resources with a revised business strategy and outlook, and to support our higher priority focus areas. As a result, we recorded $8.9 million in restructuring costs in fiscal 2022. Actions related to this plan are expected to be completed by the end of fiscal 2023. The table presented below summarizes the changes in our restructuring accruals (in thousands):

	Severance	Leased facility exit costs and other costs	Total
Balance at September 24, 2021	**$ 163**	**$ 4**	**$ 167**
Restructuring charges	8,874	1,749	10,623
Cash payments and adjustments	(3,256)	(1,753)	(5,009)
Balance at September 30, 2022	**$ 5,781**	**$ —**	**$ 5,781**
Restructuring credits	—	(211)	(211)
Cash payments and adjustments	(2,575)	211	(2,364)
Balance at March 31, 2023	**$ 3,206**	**$ —**	**$ 3,206**

Accruals for restructuring charges/(credits) incurred for the restructuring plan described above are included within accrued liabilities in our unaudited interim condensed consolidated balance sheets, while restructuring charges/(credits) are included within restructuring charges in our unaudited interim condensed consolidated statements of operations.

14. Legal Matters

We are involved in various legal proceedings that occasionally arise in the normal course of business. These can include claims of alleged infringement of IP rights, commercial, employment, and other matters. In our opinion, resolution of these proceedings is not expected to have a material adverse impact on our operating results or financial condition. On a quarterly basis, we evaluate based on the known facts and circumstances whether a potential loss or range of losses is considered probable and reasonably estimable in accordance with U.S. GAAP. We record a provision for a liability relating to these legal proceedings when a loss is both probable and the amount of the loss can be reasonably estimated. Legal costs associated with these legal proceedings are expensed as incurred.

Given the unpredictable nature of legal proceedings, it is possible that an unfavorable resolution of one or more such proceedings could materially affect our future operating results or financial condition in a particular period, including as a result of required changes to our licensing terms, monetary penalties, and other potential consequences. However, based on the information known by us as of the date of this filing and the rules and regulations applicable to the preparation of our unaudited interim condensed consolidated financial statements, any such amounts are either immaterial, or it is not probable that a potential loss has been incurred or the amount of loss cannot be reasonably estimated.

15. Commitments and Contingencies

In the ordinary course of business, we enter into contractual agreements with third parties that include non-cancelable payment obligations, for which we are liable in future periods. These arrangements can include terms binding us to minimum payments and/or penalties if we terminate the agreement for any reason other than an event of default as described by the agreement. The following table presents a summary of our contractual obligations and commitments as of March 31, 2023 (in thousands):

	Payments Due By Fiscal Period						
	Remainder of Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Thereafter	Total
Naming rights	$ 4,358	$ 12,794	$ 13,126	$ 13,472	$ 8,534	$ 44,316	$ 96,600
Purchase obligations	13,614	12,838	3,479	620	127	37	30,715
Donation commitments	1,732	116	116	116	86	417	2,583
Total	**$ 19,704**	**$ 25,748**	**$ 16,721**	**$ 14,208**	**$ 8,747**	**$ 44,770**	**$ 129,898**

Naming Rights. We are party to agreements for naming rights of certain facilities, most significantly for naming rights and related benefits with respect to the Dolby Theatre in Hollywood, California, the location of the Academy Awards®. The term of this agreement is 20 years, over which we will make payments on a semi-annual basis until fiscal 2032. Our ongoing annual payment obligations are conditioned in part on the Academy Awards being held and broadcast from the Dolby Theatre. Our payment obligations may be suspended or reduced in certain circumstances, including the protracted closure of the Dolby Theatre.

Purchase Obligations. Purchase obligations primarily consist of our commitments made under agreements to purchase goods and services related to Dolby Cinema and for purposes that include information technology and telecommunications, marketing and professional services, and manufacturing and other R&D activities.

Donation Commitments. Our donation commitments relate to non-cancelable obligations that consist of maintenance services and installation of imaging and audio products in exchange for various marketing, branding, and publicity benefits. These donation agreements either transfer title of our audio and imaging products to the donee or offer use of the products free of charge for a specified period of time via a leasing arrangement. The recipients of these donations participate in or promote the cinema and entertainment industry, and our commitments vary in length, lasting up to 15 years.

Indemnification Clauses. On a limited basis, our contractual agreements contain a clause under which we agree to provide indemnification to the counterparty, most commonly to licensees in connection with licensing arrangements that include our IP. We have also entered into indemnification agreements with our officers, directors, and certain employees, and our certificate of incorporation and bylaws contain similar indemnification obligations. Additionally, and although not a contractual requirement, we have at times elected to defend our licensees from third party IP infringement claims. Since the terms and conditions of our contractual indemnification clauses do not explicitly specify our obligations, we are unable to reasonably estimate the maximum potential exposure for which we could be liable.

16. Subsequent Event

Acquisition Of MPEG LA, L.L.C. On April 28, 2023, our wholly-owned subsidiary Via Licensing Corporation ("Via Corp") completed the acquisition of MPEG LA, L.L.C. ("MPEG LA"), a privately held company, for consideration, net of cash acquired, of $121.6 million. Including cash acquired of $38.9 million, total consideration was $160.6 million, consisting of approximately $135.7 million in cash and $24.8 million in the form of 24.8 million common equity units in Via LA (as defined below). In connection with the transaction, Via Corp changed its structure and name to Via Licensing Alliance LLC ("Via LA") and became a majority owned subsidiary of Dolby. Prior to the acquisition, MPEG LA was a patent pool administrator that managed several collaborative licensing programs in video imaging and other technologies. The acquisition is expected to strengthen Via's licensing capabilities, particularly in video, diversify its revenues, and reinforce its ability to develop new patent licensing programs. We are in the process of assessing the accounting for this acquisition, including the valuation of the acquired intangible assets, which will be recorded in the third quarter of 2023. "Via", as used in this Quarterly Report on Form 10-Q, means, prior to the transaction described in this Note, Via Corp and, following such transaction, Via LA.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited interim condensed consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements reflecting our current expectations that are subject to risks and uncertainties, including, but not limited to statements regarding: operating results and underlying measures; demand and acceptance for our technologies and products; the effect of macroeconomic and geopolitical conditions on our business, including the impact of the COVID-19 pandemic ("COVID-19"); market growth opportunities and trends; the development and launch of new products, features, and platforms; our ability to maintain key partnership relationships; our plans, strategies and expected opportunities; future competition; our stock repurchase plan; and our dividend policy. Use of words such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," "intend," "could," "can," "would," "target," "goal," "outlook," "project," "contemplate," "future," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions indicates a forward-looking statement. Such forward-looking statements are based on management's reasonable and current assumptions and expectations, but such statements inherently involve substantial risks and uncertainties. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including but not limited to the risks set forth in Part II, Item 1A, "Risk Factors" and key challenges set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. We disclaim any duty to update any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our prior statements to actual results.

Investors and others should note that we disseminate information to the public about our company, our products, services and other matters through various channels, including our website (www.dolby.com), our investor relations website (http://investor.dolby.com), SEC filings, press releases, public conference calls, and webcasts, in order to achieve broad, non-exclusionary distribution of information to the public. We encourage investors and others to review the information we make public through these channels, as such information could be deemed to be material information.

OVERVIEW

Dolby Laboratories creates audio and imaging technologies that transform entertainment and communications for content playback in movies, TV, music, and gaming. Founded in 1965, our strengths stem from expertise in analog and digital signal processing and digital compression technologies that have transformed the ability of artists to convey entertainment experiences to their audiences through recorded media. Such technologies led to the development of our noise-reduction systems for analog tape recordings, and have since evolved into multiple offerings that enable more immersive sound for cinema, DTV transmissions and devices, mobile devices, OTT video and music services, and home entertainment devices. Today, we derive the majority of our revenue from licensing our audio technologies. We also derive revenue from licensing our consumer imaging technologies, as well as audio and imaging technologies for premium cinema offerings in collaboration with exhibitors. In addition, we provide products and services for a variety of applications in the cinema and broadcast markets, and offer audio and video APIs through our developer platform, Dolby.io.

OUR STRATEGY

Key elements of our strategy include:

Advancing the Science of Sight and Sound. We apply our understanding of the human senses, audio, and imaging engineering to develop technologies aimed at improving how people experience and interact with their entertainment and communications content.

Providing Creative Solutions. We promote the use of our solutions as creative tools, and provide our products, services, and technologies to filmmakers, musical artists, sound mixers, and other content creators and providers. Our tools help showcase the quality and impact of their efforts and intent, which in turn may generate market demand.

Delivering Superior Experiences. Our technologies and solutions optimize playback and communications so that users may enjoy richer, clearer, and more immersive sound and sight experiences.

Expanding the Reach of our Technologies. With our developer platform, Dolby.io, we are expanding our addressable market to enhance a broader range of content, by enabling developers to build high quality, interactive, and media centric applications.

REVENUE GENERATION

We generate revenue from approximately 500 electronics product OEMs and software developers. As of March 31, 2023, we had approximately 18,700 issued patents relating to technologies, which are licensed to third parties and derive a significant portion of our licensing revenue. We have approximately 1,600 trademark registrations throughout the world for a variety of wordmarks, logos, and slogans. These trademarks are an integral part of our technology licensing program as licensees typically place them on their products which incorporate our technologies to inform consumers that they have met our quality specifications.

Licensing

We license our technologies to a range of customers who incorporate them into their products for enhanced audio and imaging functionality for content playback in movies, TV, music, and gaming. Our key technologies are summarized in the table below. As it relates to AAC, HE-AAC, Extended HE-AAC, AVC, and HEVC, we jointly participate in patent licensing programs with other patent owners.

Technology	Description
AAC, HE-AAC and Extended HE-AAC	Advanced digital audio codec solutions with high bandwidth efficiency used for a wide range of media applications.
AVC	A digital video codec with high bandwidth efficiency used in a wide range of media devices.
Dolby AC-4	A next-generation digital audio coding technology that increases transmission efficiency while delivering new audio experiences, including Dolby Atmos, to a wide range of playback devices.
Dolby Atmos	An object-oriented audio technology for cinema and a wide range of media devices that allows sound to be precisely placed and moved anywhere in the listening environment including the overhead dimension. Dolby Atmos provides an immersive experience that can be provided via multiple Dolby audio coding technologies.
DD	A digital audio coding technology that provides multichannel sound to a variety of media applications.
DD+	An advanced digital audio coding technology that offers more efficient audio transmission for a wide range of media applications and devices.
Dolby TrueHD	A digital audio coding technology providing lossless encoding for premium quality media applications.
Dolby Vision	An imaging technology combining high dynamic range and dynamic metadata to deliver ultra vivid colors, sharper contrasts, and richer details for cinema and a wide range of media devices.
HEVC	A digital video codec with high bandwidth efficiency to support ultra-high definition experiences for a wide range of media devices.

The following table presents the composition of revenue from our licensing business for all periods presented:

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended		
Market	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022	Main Offerings Incorporating Our Technologies
Broadcast	37%	33%	37%	35%	Televisions and STBs
Mobile	26%	21%	24%	22%	Smartphones and Tablets
CE	12%	17%	14%	17%	DMAs, Blu-ray Disc devices, AVRs, Soundbars, and DVDs
PC	12%	18%	10%	14%	Windows and macOS operating systems and devices
Other	13%	11%	15%	12%	Dolby Cinema, Gaming consoles, and Automotive
Total	**100%**	**100%**	**100%**	**100%**	

We have various licensing models: a two-tier model, an integrated licensing model, a patent licensing model, recoveries, and collaboration arrangements.

Two-Tier Licensing Model. Most of our consumer entertainment licensing business consists of a two-tier licensing model whereby our decoding technologies, included in reference software and firmware code, are first provided under license to semiconductor manufacturers whom we refer to as implementation licensees.

Implementation licensees incorporate our technologies in ICs which they sell to OEMs of consumer entertainment products, whom we refer to as "system licensees." System licensees separately obtain licenses from us that allow them to make and sell end-user products using ICs that incorporate our technologies.

Implementation licensees incorporate our technologies into their chipsets that, once approved by Dolby, are available for purchase from implementation licensees by OEMs for use in end-user products. Implementation licensees only pay us a nominal initial fee on contract execution as consideration for the ongoing services that we provide to assist in their implementation process. Revenue from these initial fees is recognized ratably over the contractual term as a component of licensing revenue.

System licensees provide us with prototypes of products, or self-test results of products that incorporate our technologies. Upon our confirmation that our technologies are optimally and consistently incorporated, the system licensee may buy ICs under a license for the same Dolby technology from our network of implementation licensees, and may further sell approved products to retailers, distributors, and consumers. For the use of our technologies, our system licensees pay an initial licensing fee as well as royalties, which represent the majority of the revenue recognized from these arrangements. The amount of royalties we collect on a particular product depends on several factors including the nature of the implementations, the mix of Dolby technologies used, and the volume of products using our technologies that are shipped by the system licensee.

Integrated Licensing Model. We also license our technologies to software operating system vendors and to certain other OEMs that act as combined implementation and system licensees. These licensees incorporate our technologies in their software used on PCs, in mobile applications, or in ICs they manufacture and incorporate into their products. As with the two-tier licensing model, the combined implementation and system licensee pays us an initial licensing fee in addition to royalties as determined by the mix of Dolby technologies used, the nature of the implementations, and the volume of products using our technologies that are shipped, and is subject to the same quality control evaluation process.

Patent Licensing Model. We license our patents directly to manufacturers that use our IP in their products. We also license our patents through patent pools which are arrangements between multiple patent owners to jointly offer and license pooled patents to licensees who use our IP in their products. Finally, Via generates service fees for managing patent pools on behalf of third party patent owners. By aggregating and offering pooled patents, these arrangements deliver efficiencies that reduce transactional costs for both IP owners and licensees. The Via patent pools enable product manufacturers to efficiently and transparently secure patent licenses for collaboratively developed technologies. We offer our patents related to AAC, HE-AAC, Extended HE-AAC, AVC, HEVC, and other standardized technologies through a combination of patent pools and licensing directly to OEMs. See Note 16 "*Subsequent Event*" to our unaudited interim condensed consolidated financial statements for a description of the recent business combination of Via and MPEG LA, L.L.C.

Recoveries. Licensing revenue recognized in any given period may include revenue from licensees and/or settlements with third parties where the use of our technology occurred in previous periods. Within the Results of Operations section of Part I, Item 2 "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" revenue attributable to previous periods' usage including settlements are collectively referred to as "recoveries." Such recoveries have become a recurring element of our business and are particularly subject to fluctuation and unpredictability.

Collaboration Arrangements

Dolby Cinema: We partner with exhibitors to deliver a premium cinema offering with Dolby Vision and Dolby Atmos at new and pre-existing venues. We receive revenue at Dolby Cinema sites through a share of box office receipts, which is recognized as licensing revenue.

Products

We design and manufacture audio and imaging hardware and software products for the cinema, television, broadcast, and entertainment industries. Distributed in approximately 90 countries, these products are used in content creation, distribution, and playback to enhance image and sound quality, and improve transmission and playback. Additionally, some of our Dolby Cinema arrangements are classified as sales-type leases, and as a result are included in products sales.

Key products from which we generate products revenue are summarized in the table below:

Product		Description
Cinema	Cinema Imaging Products	Digital Cinema Servers used to load, store, decrypt, decode, watermark, and playback digital film files for presentation on digital cinema projectors and software used to encrypt, encode, and package digital media files for distribution
	Cinema Audio Products	Cinema Processors, amplifiers, and loudspeakers used to decode, render, and optimally play back digital cinema soundtracks, including those using Dolby Atmos
Other	Other Products	3-D glasses and kits, broadcast hardware and software used to encode, transmit, and decode multiple channels of high-quality audio for DTV and HDTV distribution, monitors, accessibility solutions for hearing and visually impaired consumers

Services

We offer a developer platform, Dolby.io, that enables developers access to our technologies through APIs. These offerings currently include audio and video APIs for building high-quality communications, media, and streaming solutions. Over time, we expect to significantly expand the amount and types of content that can be enhanced through our technologies and capabilities.

In addition, we offer various services to support theatrical and television production for cinema exhibition, broadcast, and home entertainment, including equipment training and maintenance, mixing room alignment, equalization, as well as audio, color, and light image calibration. We also provide PCS for products sold and equipment installed at Dolby Cinema theaters operated by exhibitor partners and support the implementation of our technologies into products manufactured by our licensees.

MACROECONOMIC CONDITIONS

The current macroeconomic environment has negatively impacted many of our licensees and that directly impacts our financial results. Our revenue has been impacted by macroeconomic conditions, including but not limited to, elevated inflation, rising interest rates, restrictions and economic impacts related to COVID-19, supply chain constraints, increased shipping costs, international conflicts, reduced discretionary consumer spending, and reduced new product investment by our customers caused by higher interest rates and lower demand. The impacts of the current macroeconomic environment on our partners have resulted in the disruption of consumer products' supply chains, shortages of certain semiconductor components, and delays in shipments, product development, and product launches. The macroeconomic conditions also impart substantial uncertainty into our operating environment, which presents additional challenges for our business. These factors and the related uncertainty may cause delays or a decrease in the adoption or implementation of our technologies into new products by partners and licensees. These conditions may impact consumer demand for devices and services and our partners' ability to manufacture devices. Further, we may be negatively impacted by delays in transaction cycles and our recoveries efforts due to the noted macroeconomic conditions and related uncertainty. The future implications of these macroeconomic conditions on our business, results of operations and overall financial position remain uncertain. We continue to monitor the evolving macroeconomic environment and the impact on our business. Further discussion of the potential impacts of these macroeconomic effects on our business can be found in Part II, Item 1A "*Risk Factors*."

EXPANDING OUR LEADERSHIP IN AUDIO AND IMAGING EXPERIENCES

We are focused on expanding our leadership in audio and imaging solutions for premium entertainment content by increasing the number of Dolby experiences that people can enjoy, which will drive revenue growth across the markets we serve. We can increase our value proposition and create opportunities by broadening Dolby technologies into new types of content, such as music, gaming, live sports, and user-generated content. We are increasingly making our audio and imaging technologies available for content beyond premium entertainment through Dolby.io, creating new revenue generating opportunities. The following is a discussion of the key markets that we address and the various Dolby technologies and solutions that serve these markets.

LICENSING

The majority of our licensing revenue is derived from the licensing of audio and imaging technologies for premium entertainment playback. Our audio technologies are primarily comprised of DD+, Dolby Atmos, AC-4, and our AAC and HE-AAC technologies. Our imaging technologies are primarily comprised of Dolby Vision and our AVC and HEVC technologies. Licensing revenue is primarily driven by the adoption of our technologies on devices and the number of devices shipped by licensees. DD+, AC-4, and our AAC and HE-AAC audio patents (collectively, our "foundational audio technologies") have broad penetration across a diverse set of devices and end markets. Our revenue from these technologies is primarily driven by device shipments from licensees, and as such, is impacted by consumer spending. Other factors, such as global supply constraints or device lifecycles, may also impact revenue from these technologies. In the future, we expect revenue from our foundational audio technologies to generally reflect market trends in device shipments. Further, in certain countries, we face difficulties enforcing our contractual and IP rights, including instances in which our licensees fail to accurately report the shipment of products using our technologies. The remaining portion of our licensing revenue is derived from offerings such as Dolby Vision, Dolby Atmos, our imaging patents, and Dolby Cinema. These offerings have not been in the market as long as our foundational audio technologies, thus revenue growth is primarily driven by increased adoption and the addition of new licensees.

The availability of content in Dolby formats is an important part of creating the ecosystems that drive adoption of our technologies within a wide range of devices. Our audio and imaging technologies have a strong presence within movie and episodic content through adoption across content creators and streaming services. The availability of content on these platforms has driven strong adoption in devices such as TVs, STBs, and speaker devices. Our audio and imaging technologies are also widely available through many forms of distribution, including broadcast TV, streaming, and optical disc playback.

Major streaming partners and services such as Netflix, Disney+, Apple TV+, Amazon, HBO Max, and Paramount+ continue to enhance content in Dolby Vision and Dolby Atmos. These streaming services launch local content in Dolby formats internationally. As we see an increase in new local content, we increase our value proposition for adoption of Dolby Vision and Dolby Atmos across devices in all market segments.

We work with industry leaders to enhance these forms of content through the use of our technologies, creating additional value for the adoption of Dolby within devices such as mobile phones and tablets, PCs, gaming consoles, and automobiles. We have also enhanced a broader range of content, such as music, gaming, live sports, and user-generated content. This quarter, Apple Music launched Apple Music Classical, a new classical music app with Dolby Atmos supported on thousands of recordings, and Amazon Music, which supports Dolby Atmos, began streaming to a wider set of devices, including more wireless speakers, soundbars, and DMAs. Additionally, Disney Star and JioCinema announced that all of their 2023 Indian Premier League cricket matches will be available in Dolby Atmos. Also, starting in the second quarter of fiscal 2023, Weibo, one of China's largest social media platforms, began supporting Dolby Vision and Dolby Atmos. Additionally, audiobooks on Audible now supports Dolby Atmos.

The following are highlights from our second quarter of fiscal 2023 and key challenges related to audio and imaging licensing, by market. Further discussion of the potential impacts of these key challenges on our business can be found in Part II, Item 1A "*Risk Factors*."

Broadcast

Highlights: We have an established global presence with respect to our DD+ and HE-AAC audio technologies in broadcast services and devices. We have expanded our offerings in the broadcast market through technologies such as Dolby Atmos and AC-4, Dolby Vision, as well as AVC and HEVC imaging technologies which we license through patent pools. We work with many TV OEMs and strategic partners to enable and promote Dolby Vision and Dolby Atmos experiences within their TV lineups. Many such partners continue to expand their support of the combined Dolby Vision and Dolby Atmos experience. For example, in the second quarter of fiscal 2023, Comcast broadcast Superbowl LVII in Dolby Vision.

Key Challenges: Our pursuit of new licensees and further adoption of our technologies by existing licensees may be impacted by a number of factors. We must continue to present compelling reasons for consumers to demand our audio and imaging technologies, including ensuring that there is a breadth of available content in our formats and such content is being widely distributed. To the extent that OEMs do not incorporate our technologies in current and future products, our revenue could be negatively impacted. Additionally, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements.

Mobile

Highlights: We continue to focus on adoption of our technologies across major mobile ecosystems, including Apple and Android. HE-AAC and HEVC are widely adopted audio and video technologies across mobile devices, and we offer these technologies through our patent licensing programs. We also continue to focus on expanding adoption of our DD+, AC-4, Dolby Atmos, and Dolby Vision technologies in the mobile market. The breadth of mobile devices supporting Dolby technologies continues to increase globally. In the second quarter of fiscal 2023, OPPO launched its first flagship phone with Dolby Vision Capture, and OnePlus launched their first phone with Dolby Vision playback and Dolby Atmos. Xiaomi, which now has multiple Dolby Vision Capture phone models in China, began shipping Dolby Vision Capture phone models in India, Southeast Asia, Europe and the Middle East during the quarter. Also in the second quarter of fiscal 2023, Vivo began shipping Dolby Vision Capture phones in China.

Key Challenges: Growth in this market is dependent on several factors. Due to short product life cycles, mobile device OEMs can readily add or remove certain of our technologies from their devices. Our success depends on our ability to address the rapid pace of change in mobile devices, and we must continuously collaborate with mobile device OEMs to incorporate our technologies. The mobile market is heavily concentrated, so we rely on a small number of partnerships with key participants in this market. If we are unable to maintain these key relationships, we may experience a decline in mobile devices incorporating our technologies. To the extent that OEMs do not incorporate our technologies in current and future products, our revenue could be impacted. We must also continue to support the development and distribution of Dolby-enabled content via various ecosystems. Additionally, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements.

Consumer Electronics

Highlights: We have an established presence in the home entertainment market across devices such as AVRs, soundbars, wireless and smart speakers, DMAs, and Blu-Ray players, through the inclusion of our DD+ technology, and increasingly through the inclusion of Dolby Atmos and Dolby Vision. AAC and HE-AAC technologies also have

broad adoption through our patent licensing programs. We continue to focus on expanding the availability of Dolby technologies to new devices. In the second quarter of fiscal 2023, Sonos launched their premium smart speaker, the Sonos Era 300, with Dolby Atmos.

Key Challenges: We must continue to present compelling reasons for consumers to demand our technologies wherever they enjoy entertainment content, while promoting creation and broad availability of content in our formats. To the extent that OEMs do not incorporate our technologies in current and future products, our revenue could be impacted. Additionally, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements.

Personal Computers

Highlights: DD+ continues to enhance audio playback in both Mac and Windows operating systems, including native support in their respective Safari and Microsoft Edge browsers. Dolby's presence in these browsers enables us to reach more users through various types of content, including streaming video entertainment. A number of PCs from partners such as Apple, Lenovo, Dell, Samsung, and ASUS also support Dolby Vision and/or Dolby Atmos, with continued expansion of applications through music, streaming, and gaming.

Key Challenges: PC revenue from audio technologies such as DD+ has been impacted by a decline in the portion of PCs that have optical disc functionality in recent years, which has resulted in a decline in our ASPs. Demand for PCs has recently been declining and it remains uncertain when, if, and to what extent PC demand will return to historic levels. We must continuously collaborate and maintain our key partnerships with PC manufacturers to incorporate our technologies, and we must continue to support the development and distribution of Dolby content via various ecosystems. Additionally, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements.

Other Markets

Highlights: DD+ is incorporated in the Xbox and PlayStation gaming consoles that support gaming content and streaming for movie and television content. The Xbox Series X and Series S gaming consoles support Dolby Vision and Dolby Atmos for streaming and gaming content. Additionally, our technologies continue to be incorporated into the latest headphones by various OEMs.

We also generate revenue from the automotive industry primarily through disc playback devices as well as other elements of the entertainment system, and more recently through the adoption of Dolby Atmos Music. In the second quarter of fiscal 2023, Guangzhou Automobile Group, a large Chinese auto manufacturer, announced the launch of a new sport sedan that features Dolby Atmos.

Key Challenges: Consumer demand for devices in the gaming industry is impacted by anticipation of console refresh cycles, which could result in fluctuations in our revenue. In addition, the gaming console market has competition from mobile devices and gaming PCs, which have faster refresh cycles and appeal to a broader consumer base. Automotive revenue has been negatively impacted by a decline in the portion of cars that have optical disc playback. Shortages of certain semiconductor components could result in lower implementation of our technologies in vehicles by automotive manufacturers. Our revenue growth will be impacted if OEMs do not incorporate our technologies in their latest products, which can be more prominent in industries with longer development cycles such as the automotive industry. Additionally, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements.

In addition to licensing revenue derived from the licensing of audio and imaging technologies into the markets discussed above, we offer our audio and imaging technologies to create Dolby experiences through Dolby Cinema.

Dolby Cinema

Highlights: We continue to expand our global presence for Dolby Cinema, with over 280 open Dolby Cinema sites located in the U.S. and internationally, although some are subject to capacity restrictions per local regulations, and with two new sites opened during the second quarter of fiscal 2023. The breadth of motion pictures for Dolby Cinema continues to grow with over 400 theatrical titles in both Dolby Vision and Dolby Atmos having been announced or released from all of the major studios as of the end of the second quarter of fiscal 2023.

Key Challenges: Although the premium large format market for the cinema industry has been growing, Dolby Cinema competes with other existing offerings. Our success depends on our partners and their success, and our

ability to differentiate our offering, deploy new sites in accordance with plans, and attract and retain a global viewing audience. In addition, the success of our Dolby Cinema offering is tied to global box office performance generally. COVID-19 has had a significant effect on theatrical exhibition, which could impact the financial viability of our key partners. The response to COVID-19 including the closure of cinemas in China and government-imposed restrictions has had a negative impact on our cinema-related revenue and consumer demand, although consumer demand for the cinema has been improving. It is uncertain whether consumer demand for the cinema will return to previous levels.

PRODUCTS AND SERVICES

A majority of our products and services revenue is derived from the sale of audio and imaging products for the cinema, television, broadcast, communication, and entertainment industries. Revenue from our developer platform, Dolby.io, is also included in products and services.

Cinema Products and Services

Highlights: To help enable the playback of content in Dolby formats, we offer a range of servers, which include the IMS3000 (an integrated imaging and audio server with Dolby Atmos), and audio processors, such as the CP950, to cinema exhibitors globally. Dolby Atmos has been adopted broadly across studios, content creators, post-production facilities, and exhibitors. As of the end of the second quarter of fiscal 2023, there are over 7,000 Dolby Atmos screens installed or committed and over 2,700 Dolby Atmos theatrical titles have been announced or released.

We also offer a variety of other cinema products, such as the Dolby Multichannel Amplifier and our high-power flexible line of speakers. These products allow us to offer exhibitors a more complete Dolby Atmos solution that is often more cost effective than other commercially available options.

Key Challenges: Demand for our cinema products is dependent upon our partners and their success in the market, industry and economic cycles, box office performance, and our ability to develop and introduce new technologies, further our relationships with content creators, and promote new cinematic audio and imaging experiences. A significant portion of our growth opportunity lies in international markets, which are subject to geopolitical risks. Additionally, weakness in general economic conditions due to inflation, recession, pandemic or other worsening economic conditions could have a negative impact on our cinema-related revenue due to reduced consumer discretionary spending. We may also be faced with pricing pressures or competing technologies, which would affect our revenue. We have also experienced supply chain shortages and increased shipping costs that have created challenges to maintain the sufficient supply of cinema products to meet the demand in the market. In addition, supply chain constraints may impact our ability to provide cinema products and services to our customers. COVID-19 has also negatively impacted the financial health of our cinema customers and partners.

Developer Platform Services

Highlights: We are focused on bringing our expertise in media and communications to a broader range of content and digital experiences. For example, we are increasing our engagement with new customers across different industries through our developer platform, Dolby.io, that enables developers to access our technologies through APIs. The current offerings include audio and video APIs for building high-quality communications, media, and streaming solutions. Since the launch of Dolby.io in fiscal 2020, we have seen an expansion of the use cases for the platform. Examples include virtual live performances, online and hybrid events, social audio, premium education, gaming, sports, and content creation and production. Dolby.io provides tools to help developers create immersive experiences through apps and services with high quality audio and video, spatialized sound, and deliver live-streamed content with low latency.

Key Challenges: Dolby.io is an early stage business, and it is uncertain when or if it will be a material revenue driver. Our success in this market will depend on the number of developers we are able to attract and retain, the volume of usage of the service, and our ability to monetize our services. In addition, the development and maintenance needed to provide a reliable and scalable platform may require us to develop new skills internally for our current employees or hire external specialized talent. Although the market for online experiences has been growing, Dolby's API technologies compete with other offerings.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

There have been no material changes to the critical accounting policies from those included in our fiscal 2022 Annual Report on Form 10-K filed with the SEC, as per Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates included therein.

RESULTS OF OPERATIONS

For each line item included on our unaudited interim condensed consolidated statements of operations described and analyzed below, the significant factors identified as the leading drivers contributing to the overall fluctuation are presented in descending order of their impact on the overall change (from an absolute value perspective). This discussion and analysis highlights comparisons of material changes in the unaudited interim condensed consolidated financial statements for the quarters ended March 31, 2023 and April 1, 2022. Note that adjustments related to sales-based royalties that were misreported by licensees as well as unlicensed settlement activity, are collectively referred to as "recoveries." Amounts displayed, except percentages, are in thousands.

Revenue and Gross Margin

Licensing

Licensing revenue consists of fees earned from licensing our technologies to customers who incorporate them into their products and services to enable and enhance audio and imaging capabilities. The technologies that we license are either internally developed, acquired, or licensed from third parties. A significant portion of our licensing revenue pertains to customer-shipment royalties that we recognize based on estimates of our licensees' shipments. To the extent that shipment data reported by licensees differs from estimates we made and recorded, we recognize an adjustment to revenue for such difference in the period we receive the reported shipment data.

Our cost of licensing consists mainly of amortization of certain purchased intangible assets and intangible assets acquired in business combinations, depreciation, third party royalty obligations, and patent pool fees.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
Licensing	**March 31, 2023**	**April 1, 2022**	**$**	**%**	**March 31, 2023**	**April 1, 2022**	**$**	**%**
Revenue	$351,608	$313,833	$37,775	12%	$659,619	$646,117	$13,502	2%
Percentage of total revenue	*94%*	*94%*			*93%*	*94%*		
Cost of licensing	21,365	16,672	4,693	28%	34,724	31,607	3,117	10%
Gross margin	330,243	297,161	33,082	11%	624,895	614,510	10,385	2%
Gross margin percentage	*94%*	*95%*			*95%*	*95%*		

	Fiscal Quarter Ended				Fiscal Year-To-Date Ended			
Licensing Revenue By Market	**March 31, 2023**		**April 1, 2022**		**March 31, 2023**		**April 1, 2022**	
Broadcast	$ 128,971	37 %	$ 104,481	33 %	$ 246,305	37 %	$ 226,114	35 %
Mobile	93,126	26 %	66,055	21 %	157,412	24 %	140,975	22 %
CE	39,015	12 %	53,956	17 %	94,098	14 %	111,529	17 %
PC	43,347	12 %	57,466	18 %	67,633	10 %	92,243	14 %
Other	47,149	13 %	31,875	11 %	94,171	15 %	75,256	12 %
Total licensing revenue	**$ 351,608**	**100 %**	**$ 313,833**	**100 %**	**$ 659,619**	**100 %**	**$ 646,117**	**100 %**

Current Quarter: Q2 2023 vs. Q2 2022

Factor	Licensing Revenue		Gross Margin	
Mobile	↑	*Higher revenue from minimum volume commitments for Dolby Vision, Dolby Atmos, and our imaging patent programs*	←→	*No significant fluctuations*
Broadcast	↑	*Higher revenue from minimum volume commitments in our imaging patent programs and for Dolby Atmos*		
CE	↓	*Lower revenue driven by lower unit shipments for DMAs and soundbars, primarily from foundational audio technologies*		
PC	↓	*Lower revenue driven by lower shipments, primarily in foundational audio technologies*		
Other	↑	*Higher revenue due to increased adoption of Dolby Atmos in automotive, higher Dolby Cinema revenue from higher box office receipts, and higher unit shipments in gaming*		

Year-To-Date: Q2 2023 vs. Q2 2022

Factor	Licensing Revenue		Gross Margin	
PC	↓	*Lower revenue driven by lower shipments and lower recoveries, primarily from foundational audio technologies*	←→	*No significant fluctuations*
Broadcast	↑	*Higher revenue from our imaging patent programs and higher adoption of our Dolby Atmos technologies, partially offset by lower recoveries and lower shipments in foundational audio technologies*		
Other	↑	*Higher gaming revenue due to higher shipments and a favorable true-up in the current year, higher automotive revenue due to higher adoption of our Dolby Atmos technologies, and higher Dolby Cinema revenue due to higher box office receipts*		
CE	↓	*Lower revenue from foundational audio technologies driven by lower shipments, primarily for DMAs, and lower recoveries, partially offset by higher revenue from Dolby Atmos and Dolby Vision technologies*		
Mobile	↑	*Higher revenue due to new licensees in our audio patent programs and higher adoption of our Dolby Atmos and Dolby Vision technologies, partially offset by lower revenue in our imaging patent programs*		

Products and Services

Products revenue is generated from the sale of audio and imaging hardware and software products for the cinema, television, broadcast and entertainment industries. Also included in products revenue are amounts relating to certain Dolby Cinema arrangements that are considered sales-type leases that involve fixed or minimum fees. Cost of products includes materials, labor, manufacturing overhead, amortization of certain intangible assets, and certain third party royalty obligations.

Services revenue consists of fees charged to support theatrical and television production for cinema exhibition, broadcast, and home entertainment, including equipment training and maintenance, mixing room alignment, equalization, as well as audio, color, and light image calibration. Services revenue also includes PCS for products sold and equipment installed at Dolby Cinema theaters operated by exhibitor partners and support for the implementation of our technologies into products manufactured by our licensees. Also included in services revenue are amounts generated through our Dolby.io developer platform. Cost of services consists of personnel and personnel-related costs for providing our professional services, software maintenance and support, external contractors, and other direct expenses incurred on behalf of customers.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
Products and Services	**March 31, 2023**	**April 1, 2022**	**$**	**%**	**March 31, 2023**	**April 1, 2022**	**$**	**%**
Revenue	$24,283	$20,538	$3,745	18%	$51,193	$39,887	$11,306	28%
Percentage of total revenue	*6%*	*6%*			*7%*	*6%*		
Cost of products and services	19,684	18,843	841	4%	40,775	36,617	4,158	11%
Gross margin	4,599	1,695	2,904	171%	10,418	3,270	7,148	219%
Gross margin percentage	*19%*	*8%*			*20%*	*8%*		

Current Quarter: Q2 2023 vs. Q2 2022

Factor	Products and Services Revenue		Gross Margin	
Products	↑	*Increased demand for cinema equipment as the exhibitor market continues to recover*	↑	*Higher gross margin due to higher cinema products revenue*
Services	←→	*No significant fluctuations*	←→	*No significant fluctuations*

Year-To-Date: Q2 2023 vs. Q2 2022

Factor	Products and Services Revenue		Gross Margin	
Products	↑	*Increased demand for cinema equipment as the exhibitor market continues to recover*	↑	*Higher gross margin due to higher cinema products revenue*
Services	←→	*No significant fluctuations*	←→	*No significant fluctuations*

Operating Expenses

Research and Development

R&D expenses consist primarily of employee compensation and benefits expenses, stock-based compensation, external contractor costs, depreciation and amortization, facilities costs, costs for outside materials, and information technology expenses.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
	March 31, 2023	April 1, 2022	$	%	March 31, 2023	April 1, 2022	$	%
Research and development	$67,951	$67,421	$530	1%	$132,401	$136,245	$(3,844)	(3)%
Percentage of total revenue	*18%*	*20%*			*19%*	*20%*		

Current Quarter: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Research and Development	←→	*No significant fluctuations*

Year-To-Date: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Research and Development	↓	*Lower costs of $5.4 million due to lower headcount*

Sales and Marketing

S&M expenses consist primarily of employee compensation and benefits expenses, stock-based compensation, marketing and promotional expenses for events such as trade shows and conferences, marketing campaigns, travel-related expenses, contractor fees, facilities costs, depreciation and amortization, information technology expenses, and legal costs associated with the protection of our IP.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
	March 31, 2023	April 1, 2022	$	%	March 31, 2023	April 1, 2022	$	%
Sales and marketing	$95,695	$84,230	$11,465	14%	$177,900	$181,400	$(3,500)	(2)%
Percentage of total revenue	*25%*	*25%*			*25%*	*26%*		

Current Quarter: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Travel, Trade shows and Marketing Programs	↑	*Higher costs of $14.0 million due to timing of marketing efforts and travel for industry conferences and trade shows*
Legal, Professional, and Contractors	↓	*Lower costs of $3.6 million primarily due to timing of patent program-related expenses*

Year-To-Date: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Travel and Trade shows	↑	*Higher costs of $12.6 million for company travel and trade shows due to lighter COVID-19 travel restrictions as compared to the prior period*
Compensation & Benefits	↓	*Lower costs of $5.2 million due to lower payroll salaries expense and lower fringe benefits due to lower headcount*
Legal, Professional, and Contractors	↓	*Lower costs of $5.2 million primarily due to timing of patent program-related expenses*
Marketing Programs	↓	*Lower costs of $4.3 million primarily due to timing of marketing efforts for growth initiatives and branding activities incurred in the prior period*

General and Administrative

G&A expenses consist primarily of employee compensation and benefits, stock-based compensation, depreciation, facilities and information technology costs, as well as professional fees and other costs associated with

external contractors.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
	March 31, 2023	April 1, 2022	$	%	March 31, 2023	April 1, 2022	$	%
General and administrative	$61,939	$98,693	$(36,754)	(37)%	$121,911	$161,137	$(39,226)	(24)%
Percentage of total revenue	*16%*	*30%*			*17%*	*23%*		

On August 7, 2019, Intertrust Technologies ("Intertrust") filed complaints against each of our customers AMC Entertainment Holdings, Inc., Cinemark Holdings, Inc., and Regal Entertainment Group in the U.S. District Court for the Eastern District of Texas, alleging that the use of systems including certain cinema products, which were supplied under commercial agreements that we acquired as a part of an acquisition in 2014, infringed various Intertrust patents, and seeking damages based on the revenues of the defendants. We recorded $34.4 million in the second quarter of fiscal 2022 within G&A expenses, reflecting a settlement payment and an immaterial accrual. We believe that these amounts fully resolve all claims relating to Intertrust's patent assertions.

Current Quarter: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Other Miscellaneous Expenses	↓	*Lower costs of $34.4 million related to the resolution of the Intertrust matter in the prior year*

Year-To-Date: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Other Miscellaneous Expenses	↓	*Lower costs of $34.4 million related to the resolution of the Intertrust matter in the prior year*
Credit Loss Expense	↓	*Lower credit loss expense of $4.4 million primarily due to higher collections from our customers*

Restructuring Charges

Restructuring charges recorded as operating expenses in our unaudited interim condensed consolidated statements of operations represent costs associated with separate individual restructuring plans implemented in various fiscal periods. The extent of our costs arising as a result of these actions, including fluctuations in related balances between fiscal periods, is based on the nature of activities under the various plans.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
	March 31, 2023	April 1, 2022	$	%	March 31, 2023	April 1, 2022	$	%
Restructuring charges	$33	$5,162	$(5,129)	(99)%	$(211)	$5,067	$(5,278)	(104)%
Percentage of total revenue	*—%*	*2%*			*—%*	*1%*		

Current Quarter and Year-To-Date: Q2 2023 vs. Q2 2022

Restructuring charges of $4.5 million were incurred during the second quarter of fiscal 2022 in relation to our fiscal 2022 restructuring plan to align resources with a revised business strategy and outlook, and to support our higher priority focus areas. For additional information on our Restructuring programs, see Note 13 "*Restructuring*" to our unaudited interim condensed consolidated financial statements.

Other Income/Expense

Other income/expense primarily consists of interest income earned on cash and investments and the net gains or losses from foreign currency transactions, derivative instruments, our proportionate share of net income or losses from our equity method investment, and gains and losses on the sales of marketable securities from our investment portfolio.

	Fiscal Quarter Ended		Change		Fiscal Year-To-Date Ended		Change	
	March 31, 2023	April 1, 2022	$	%	March 31, 2023	April 1, 2022	$	%
Other income	$8,057	$101	$7,956	7,877%	$13,951	$962	$12,989	1,350%
Percentage of total revenue	*2%*	*—%*			*2%*	*—%*		

Current Quarter: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Interest Income	↑	*Higher yields on our current year investment balances due to increased interest rates*
Other Income	↑	*Higher yields primarily due to income attributable to our equity method investment in the current year and losses in mutual fund investments held in our SERP in the prior year*

Year-To-Date: Q2 2023 vs. Q2 2022

Category	Key Drivers	
Interest Income	↑	*Higher yields on our current year investment balances due to increased interest rates*
Other Income	↑	*Higher yields primarily due to income attributable to our equity method investment in the current year and losses in mutual fund investments held in our SERP in the prior year*

Income Taxes

Our effective tax rate is based on our annual fiscal year results and is affected each period-end by several factors. These factors include changes in our projected fiscal year results, recurring items such as tax rates and relative income earned in our foreign jurisdictions, as well as discrete items such as changes to our unrecognized tax benefits that may occur in but are not necessarily consistent between periods. For additional information related to effective tax rates, see Note 12 "*Income Taxes*" to our unaudited interim condensed consolidated financial statements.

	Fiscal Quarter Ended		Fiscal Year-To-Date Ended	
	March 31, 2023	April 1, 2022	March 31, 2023	April 1, 2022
Provision for income taxes	$(21,398)	$(6,932)	$(41,932)	$(18,364)
Effective tax rate	*18.2%*	*16.0%*	*19.3%*	*13.6%*

Current Quarter: Q2 2023 vs. Q2 2022

Factor	Impact On Effective Tax Rate	
Foreign Operations	↑	*Lower benefit from earned income in lower tax jurisdictions*
Stock-based Compensation	↑	*Lower benefit related to the settlement of stock-based awards*

Year-To-Date: Q2 2023 vs. Q2 2022

Factor	Impact On Effective Tax Rate	
Stock-based Compensation	↑	*Lower benefit related to the settlement of stock-based awards*
Foreign Operations	↑	*Lower benefit from earned income in lower tax jurisdictions*

LIQUIDITY, CAPITAL RESOURCES, AND FINANCIAL CONDITION

Our principal sources of liquidity are cash, cash equivalents, and investments, as well as cash flows from operations. We believe that these sources will be sufficient to satisfy our currently anticipated cash requirements through at least the next twelve months.

As of March 31, 2023, we had cash and cash equivalents of $688.4 million, which consisted of cash and highly-liquid money market funds. In addition, we had short and long-term investments of $227.2 million, which primarily consisted of government bonds, corporate bonds, municipal debt securities, certificates of deposit, commercial paper, and U.S. agency securities.

The following table presents selected financial information as of March 31, 2023 and September 30, 2022 (in thousands):

	March 31, 2023	September 30, 2022
Cash and cash equivalents	$ 688,443	$ 620,127
Short-term investments	126,393	189,213
Long-term investments	100,797	102,514
Accounts receivable, net	283,315	243,593
Accounts payable and accrued liabilities	263,927	244,408
Working capital	1,148,585	1,033,376

Capital Expenditures and Uses of Capital

Our capital expenditures consist of purchases of land, building, building fixtures, laboratory equipment, office equipment, computer hardware and software, leasehold improvements, and production and test equipment. Additionally, included in capital expenditures are amounts associated with Dolby Cinema locations. We continue to invest in S&M and R&D to promote the overall growth of our business and technological innovation.

We retain sufficient cash holdings to support our operations and we also purchase investment grade securities diversified among security types, industries, and issuers. We have used cash generated from our operations to fund a variety of activities related to our business in addition to our ongoing operations, including business expansion and growth, acquisitions, and repurchases of our Class A common stock. We have historically generated significant cash from operations. However, these cash flows and the value of our investment portfolio could be affected by various risks and uncertainties, as described in Part II, Item 1A "*Risk Factors*."

Shareholder Return

We have returned cash to stockholders through both repurchases of Class A common stock under our repurchase program initiated in fiscal 2010 and our quarterly dividend program initiated in fiscal 2015. Refer to Note 9 "*Stockholders' Equity and Stock-Based Compensation*" to our unaudited interim condensed consolidated financial statements for a summary of dividend payments made under the program during fiscal 2023 and additional information regarding our stock repurchase program.

Stock Repurchase Program. Our stock repurchase program was approved in fiscal 2010, and since then we have completed approximately $2.7 billion of stock repurchases under the program.

The Inflation Reduction Act and CHIPS and Science Act were signed into law in August 2022. The Inflation Reduction Act introduced a one percent non-deductible excise tax on certain public company stock buybacks made after December 31, 2022. We do not currently expect the excise tax to have a material impact on our results of operations or financial position, and its ongoing impact will be dependent on the extent of our future net stock repurchase activities.

Quarterly Dividend Program. During fiscal 2015, we initiated a recurring quarterly cash dividend program for our stockholders. In the second quarter of fiscal 2023, a quarterly dividend of $0.27 per share was paid on our Class A and Class B common stock to eligible stockholders of record.

Cash Flows Analysis

For the following comparative analysis performed for each of the sections of the unaudited interim condensed consolidated statement of cash flows, the significant factors identified as the leading drivers contributing to the fluctuation are presented in descending order of their impact relative to the overall change (in thousands).

Operating Activities

	Fiscal Year-to-Date Ended	
	March 31, 2023	April 1, 2022
Net cash provided by operating activities	$ 160,937	$ 94,659

Net cash provided by operating activities increased $66.3 million in the fiscal year-to-date period ended March 31, 2023 as compared to the fiscal year-to-date period ended April 1, 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Working Capital	↑	*Higher inflows due to higher accounts payable and accrued liabilities and non-current tax liabilities, partially offset by increased accounts receivable and contract assets*

Investing Activities

	Fiscal Year-to-Date Ended	
	March 31, 2023	April 1, 2022
Net cash provided by/(used in) investing activities	$ 51,886	$ (247,052)

Net cash provided by investing activities was $298.9 million higher in the fiscal year-to-date period ended March 31, 2023 as compared to the fiscal year-to-date period ended April 1, 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Purchase of Investments	↑	*Lower outflows for the purchase of marketable investment securities, and other investments*
Proceeds from Investments	↑	*Higher inflows from the sale and maturity of marketable investment securities*
Business Combinations	↑	*Lower outflows due to acquisition of Millicast completed in fiscal 2022*

Financing Activities

	Fiscal Year-to-Date Ended	
	March 31, 2023	April 1, 2022
Net cash used in financing activities	$ (157,189)	$ (170,260)

Net cash used in financing activities was $13.1 million lower in the fiscal year-to-date period ended March 31, 2023 as compared to the fiscal year-to-date period ended April 1, 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Share Repurchases	↑	*Lower outflows from lower common stock repurchases*
Common Stock Issuance	↓	*Lower inflows from employee stock option exercises*
Shares Repurchased for Tax Withholdings	↑	*Lower outflows due to lower share price of vested RSUs*

Contractual Obligations and Commitments

Since the end of our most recent fiscal year ended September 30, 2022, there have been no material changes in either our off-balance sheet financing arrangements or contractual obligations outside the ordinary course of business. For additional details regarding our contractual obligations, see Note 7 *"Leases"* and Note 15 *"Commitments and Contingencies"* to our unaudited interim condensed consolidated financial statements.

In the second quarter of fiscal 2023, we did not enter into any off-balance sheet arrangements that are expected to have a material effect on Dolby's liquidity or the availability of capital resources.

Indemnification Clauses

We are party to certain contractual agreements under which we have agreed to provide indemnification of varying scope and duration to the other party relating to our licensed IP. Since the terms and conditions of the indemnification clauses do not explicitly specify our obligations, we are unable to reasonably estimate the maximum potential exposure for which we could be liable. In addition, we have entered into indemnification agreements with our officers, directors, and certain employees, and our certificate of incorporation and bylaws contain similar indemnification obligations. For additional details regarding indemnification clauses within our contractual agreements, see Note 15 "*Commitments and Contingencies*" to our unaudited interim condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

As of March 31, 2023, we had cash and cash equivalents of $688.4 million, which consisted of cash and highly liquid money market funds. In addition, we had both short and long-term investments of $227.2 million, which consisted of government bonds, corporate bonds, municipal debt securities, certificates of deposit, commercial paper, and U.S. agency securities. Our investment policy is focused on the preservation of capital and support for our liquidity requirements. Under the policy, we invest in highly rated securities with a minimum credit rating of A- while limiting the amount of credit exposure to any one issuer other than the U.S. government. As of March 31, 2023, the weighted-average credit quality of our investment portfolio was AA-, with a weighted-average maturity of approximately nine months. We do not invest in financial instruments for trading or speculative purposes, nor do we use leveraged financial instruments. We utilize external investment managers who adhere to the guidelines of our investment policy.

The investments within our fixed-income portfolio are subject to fluctuations in interest rates, which could affect our financial position, and to a lesser extent, results of operations. Based on our investment portfolio balance as of March 31, 2023, hypothetical changes in interest rates of 1% and 0.5% would have an impact on the carrying value of our portfolio of approximately $2.1 million and $1.0 million, respectively.

Foreign Currency Exchange Risk

We maintain business operations in foreign countries, most significantly in Australia, China, Germany, Ireland, Poland, and the U.K. Additionally, a portion of our business is conducted outside of the U.S. through subsidiaries with functional currencies other than the U.S. dollar, most notably:

- Australian Dollar
- British Pound
- Chinese Yuan
- Euro
- Polish Zloty

As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency into U.S. dollars upon consolidation. The majority of our revenue generated from international markets is denominated in U.S. dollars, while the operating expenses of our foreign subsidiaries are predominantly denominated in local currencies. Therefore, our operating expenses will increase when the U.S. dollar weakens against the local currency and decrease when the U.S. dollar strengthens against the local currency. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains or losses that are reflected in our unaudited interim condensed consolidated statements of operations. Our foreign operations are subject to the same risks present when conducting business internationally, including, but not limited to, changes in economic conditions and geopolitical climate, differing tax structures, foreign exchange rate volatility and other regulations and restrictions.

We also enter into forward currency contracts exclusively designated as cash flow hedges, which have a maturity of thirteen months or less, to reduce the impact of currency volatility on U.S. dollar operating expenses. The gains and losses from the effective portions of cash flow hedges are recorded at fair value as a component of AOCI, until the hedged item is subsequently reclassified into earnings in the same period in which the hedged transaction affects earnings, with the corresponding hedged item. Amounts reclassified are recorded to the same line item in the unaudited interim condensed consolidated statements of operations as the impact of the hedge transaction, concurrently with the hedged costs.

The pre-tax gains attributed to the effective portion of cash flow hedges recognized in AOCI was not material in the second quarter of fiscal 2023 and was $5.6 million in the fiscal year-to-date period ended March 31, 2023. The pre-tax gains or losses attributed to the effective portion of cash flow hedges recognized in AOCI was not material for the second quarter of fiscal 2022 and in the fiscal year-to-date period ended April 1, 2022.

The pre-tax effective portion of the gains or losses reclassified to the unaudited interim condensed consolidated statements of operations was not material in the second quarter of fiscal 2023 and the second quarter of fiscal 2022, and was not material in the fiscal year-to-date periods ended March 31, 2023 and April 1, 2022.

We also enter into foreign currency forward contracts to hedge against assets and liabilities for which we have foreign currency exchange rate exposure and selected anticipated expenses. The contracts hedging receivables and payables are carried at fair value with changes in the fair value recorded to other income/(expense), net, in our unaudited interim condensed consolidated statements of operations. The contracts hedging foreign currency denominated operating expenses are carried at fair value with changes in the fair value recorded to other comprehensive income until the hedged expenses are reported in our unaudited interim condensed consolidated statements of operations.

As of March 31, 2023 and September 30, 2022, the outstanding derivative instruments had maturities of equal to or less than 12 months, and the total notional amounts of outstanding contracts were $97.5 million and $130.8 million, respectively.

A sensitivity analysis was performed on all of our foreign currency forward contracts as of March 31, 2023. This sensitivity analysis was based on a modeling technique that measures the hypothetical market value resulting from a 10% shift in the value of exchange rates relative to the U.S. dollar. For these forward contracts, duration modeling was used where hypothetical changes were made to the spot rates of the currency. A 10% increase in the value of the U.S. dollar would lead to a decrease in the fair value of our financial instruments by $4.2 million. Conversely, a 10% decrease in the value of the U.S. dollar would result in an increase in the fair value of these financial instruments by $4.2 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Subject to the limitations noted above, our management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the fiscal period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the CEO and CFO have concluded that, as of such date, our disclosure controls and procedures were effective to meet the objective for which they were designed and operate at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ending March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings that occasionally arise in the normal course of business activities, including claims of alleged infringement of IP rights, commercial, employment, and other matters. In our opinion, resolution of these proceedings is not expected to have a material adverse impact on our operating results or financial condition. Given the unpredictable nature of legal proceedings, it is possible that an unfavorable resolution of one or more such proceedings could materially affect our future operating results or financial condition in a particular period; however, based on the information known by us as of the date of this filing and the rules and regulations applicable to the preparation of our unaudited interim condensed consolidated financial statements, any such amounts are either immaterial, or it is not probable that a potential loss has been incurred or the amount of loss cannot be reasonably estimated.

ITEM 1A. RISK FACTORS

The following risk factors and other information included in this Quarterly Report on Form 10-Q should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we currently deem less significant may also affect our business operations or financial results. If any of the following risks actually occur, our stock price, business, operating results and financial condition could be materially adversely affected.

REVENUE GENERATION

Markets We Target

Our licensing business depends on the incorporation of our technologies into products and the sales of such products, which are, in large part, not within our control. Our licensing businesses depend on OEMs and other licensees to incorporate our technologies into their products. Our license agreements generally do not have minimum purchase commitments, are typically non-exclusive, and frequently do not mandate incorporation or use of our technologies. Our revenue will decline if our licensees choose not to incorporate our technologies into their products or if they sell fewer products incorporating our technologies.

Changing trends in content distribution and consumption may negatively impact our business. Changing trends in the way that content is distributed and consumed may impact our existing business and future opportunities for growth. One such trend is the shift by consumers in certain markets away from subscription-based cable and satellite television providers toward streaming services, commonly referred to as "cord-cutting." While cable and satellite television often require a STB, today consumers can also access streaming media through smart TVs or DMA devices. As consumers trend toward canceling subscriptions to these traditional cable and satellite providers and turn to streaming media, we expect demand for STBs in certain regions to continue to decline. If we are unable to derive additional revenue from the smart TV and DMA markets to make up for decreases in our STB-related revenue, our financial results may be negatively impacted. Other changes to the way content is distributed and consumed may impact our licensing and other businesses in a similar fashion, and we may not be able to anticipate and respond effectively to such future changes.

The mobile device market is concentrated and susceptible to competition and rapid change, which may negatively affect our penetration and pricing in that market. Successful penetration of the mobile device market is important to our future growth. The mobile device market, particularly smartphones and tablets, is characterized by rapidly changing market conditions, frequent product introductions and intense competition based on features and price. Our technologies usually are not mandated as an industry standard for mobile devices. We must continually convince mobile device OEMs and end users of mobile devices of the value of our technologies. With shorter product lifecycles, it is easier for mobile device OEMs to add or remove our technologies from mobile devices than it is for TV OEMs and other hardware OEMs. In addition, because the mobile industry is concentrated, we rely on a small number of partnerships with key participants in the mobile market. If we are unable to maintain these key relationships, we may experience a decline in mobile devices incorporating our technologies.

In order to increase the value of our technologies in the mobile market and increase OEM and software vendor demand for our decoding technologies, we have worked with online and mobile media content service providers to encode their content with our technologies. However, the online and mobile media content services markets are also characterized by intense competition, evolving industry standards and business and distribution models, disruptive software and hardware technology developments, frequent product and service introductions and short life cycles,

and price sensitivity on the part of consumers, all of which may result in downward pressure on pricing or the removal of our technologies by these providers and may result in decreased revenue from our mobile market. Further, macroeconomic conditions due to inflation, pandemics, geopolitical instability, and other factors may adversely impact consumer demand for mobile devices. Such conditions may continue to adversely impact the ability of our partners to manufacture such devices, supply chain and distribution, the timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products.

Our revenue from the PC market is reliant on key partnerships and is vulnerable to macroeconomic risks. Our revenue from the PC market depends on several factors, including underlying PC unit shipments, the extent to which our technologies are included on computers, including through operating systems and various subsystems, and the terms of any royalties or other payments we receive. Further, we rely on a small number of partnerships with key participants in the PC market. If we are unable to maintain these key relationships, we may experience a decline in PCs incorporating our technologies. Further, demand for PCs has recently been declining and it remains uncertain when, if, and to what extent PC demand will return to historic levels. Such conditions may also continue to adversely impact PC manufacturing, supply chain and distribution, the timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products.

The success of Dolby Cinema and cinema product sales are subject to a number of factors beyond our control, such as the production of films in Dolby formats and broader cinema industry conditions. Revenue from Dolby Cinema and cinema product sales is subject to our ability to develop and implement new technologies, the pace of construction or upgrade of screens, the financial stability of exhibitors, the advent of new or competing technologies, and the willingness of movie studios to produce films in our Dolby Atmos and Dolby Vision formats. Although we have invested a substantial amount of time and resources developing Dolby Cinema, and expect to continue to invest and build partnerships in connection with the launch of Dolby Cinema locations, we may not continue to recognize a meaningful amount of revenue from these efforts in the near future. Additionally, we have collaborations with multiple exhibitors in foreign markets, including Asia, Europe, and the Middle East, and we may face a number of risks in expanding Dolby Cinema in these and other new international markets. The revenue we receive from Dolby Cinema exhibitors are based on a portion of box-office receipts from the installed theaters, and the timing of such theater installations is dependent upon a number of factors beyond our control. In addition, the success of our Dolby Cinema offering will be tied to the pipeline and success of motion pictures available at Dolby Cinema locations generally. The success of Dolby Cinema and cinema products depends in large part on our ability to differentiate our offering, deploy new sites and installations in accordance with plans, provide a compelling experience, and attract and retain a viewing audience. A decrease in our ability to develop and introduce new cinema products and services successfully could affect licensing of our consumer technologies, because the strength of our brand and our ability to use professional product developments to introduce new consumer technologies would be negatively impacted. To the extent that we do not make progress in these areas or are faced with pricing pressures or competing technologies, our revenue may be adversely impacted.

Our revenue and associated demand for Dolby Cinema and cinema products are affected by cinema industry and macroeconomic conditions, which are subject to risks including consumer trends and box office performance generally, delays in cinematic releases the seasonality of film releases and associated moviegoing attendance, and other events or conditions in the cinema industry. Cinema attendance and revenues have been reduced in the wake of COVID-19 and it remains uncertain when, if, and to what extent cinema attendance will return to pre-pandemic levels. A portion of our opportunity lies in the China market, which is subject to unique economic and geopolitical risks. Furthermore, future growth of our cinema products business also depends upon new theater construction and entering into an equipment replacement cycle whereby previously purchased cinema products are upgraded or replaced. To the extent that such cinema industry and macroeconomic challenges constrain our Dolby Cinema and cinema products businesses, our revenue may be adversely impacted.

Customers and Distributors

The loss of a key licensee or customer may materially impact our revenue. A small number of our licensees or other customers may represent a significant percentage of our licensing, products, or services revenue. Although we generally have agreements with these licensees and other customers, these agreements typically do not require any minimum purchases or minimum royalty fees and do not prohibit licensees from using competing technologies or customers from purchasing products and services from competitors. Customer demand for our technologies and products can shift quickly as many of our markets are rapidly evolving. In consumer electronic device markets, our technologies are not mandated and are subject to significant competition, so there is a risk that a large consumer electronic device licensee may reduce or eliminate its use of our technologies.

Our licensing business depends, in part, on semiconductor manufacturers and the availability of semiconductor components. Our licensing revenue from OEM system licensees depends in large part upon the availability of ICs that

implement our technologies. IC manufacturers incorporate our technologies into these ICs, which are then incorporated in consumer entertainment products. We do not manufacture these ICs, but rather depend on IC manufacturers to develop, produce, and then sell them to system licensees in accordance with their agreements. We do not control the IC manufacturers' decisions on whether or not to incorporate our technologies into their ICs, and we do not control their product development or commercialization efforts. Further, demand levels may result in shortages of semiconductor components and other key materials that may adversely impact the ability of our implementation and system licensees and other customers to meet product demand in a timely fashion.

Consumer spending weakness may impact our licensees and licensing revenues generally. Weakness in general economic conditions due to inflation, rising interest rates, lower consumer confidence, a potential recession, pandemic or other worsening economic conditions, may suppress consumer demand in our markets and consumers going to the movies. Many of the products in which our technologies are incorporated are discretionary goods, such as PCs, TVs, STBs, Blu-ray Disc players, video game consoles, AVRs, mobile devices, in-car entertainment systems, and home-theater systems, which makes revenue generated by such technologies vulnerable to weakness in consumer spending. Weakness in consumer spending may also lead to licensees and other customers becoming delinquent on their obligations to us or being unable to pay, resulting in a higher level of write-offs. Weakness in consumer spending may also increase underreporting and non-reporting of royalty-bearing revenue by our licensees as well as increase the unauthorized use of our technologies.

Our reliance on distributors may impact sales of certain products and present compliance risks. We rely significantly on a global network of independent, regional distributors to market and distribute our cinema and broadcast products. Our distributor arrangements are non-exclusive and our distributors are not obligated to buy our products and can represent competing products. Thus, they may be unwilling or unable to dedicate the resources necessary to promote our portfolio of products. Our distributors could retain product channel inventory levels that exceed future anticipated sales, which could affect our future sales to those distributors. In addition, failure of our distributors to adhere to our policies designed to promote compliance with global anticorruption laws, export controls, and local laws, could subject us to criminal or civil penalties and stockholder litigation.

Marketing and Branding

If we fail to promote and maintain the Dolby brand, our business will suffer. Maintaining and strengthening the Dolby brand is critical to maintaining and expanding our licensing, products, and services business, as well as our ability to offer technologies for new markets, including Dolby Cinema, Dolby Vision and other imaging offerings for the consumer market, Dolby.io, and others. Our continued success depends on our reputation for providing high quality technologies, products, and services across a wide range of entertainment markets, including the consumer electronics, PC, broadcast, and gaming markets. If we fail to promote and maintain the Dolby brand successfully in licensing, products or services, our business will suffer. Furthermore, we believe that the strength of our brand may affect the likelihood that our technologies are adopted as industry standards in various markets and for various applications. Our ability to maintain and strengthen our brand will depend heavily on our ability to develop innovative technologies for the entertainment industry, to enter into new markets successfully, and to provide high quality products and services in these new markets. In addition, our practices and public disclosures related to environmental, social and governance (ESG) matters could impact our brand and reputation. If our ESG practices do not meet evolving investor or other stakeholder expectations and societal and regulatory standards, or if we are unable to make progress on or achieve our goals and objectives in this area, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively impacted, which could adversely affect our operating results.

Industry Standards

Certain parts of our business are dependent on the inclusion of our technologies in industry standards, the adoption and development of which are not fully within our control. The entertainment industry has historically depended upon industry standards to ensure compatibility across delivery platforms and a wide variety of consumer entertainment products. We make significant efforts to design our products and technologies to address capability, quality, and cost considerations so that they either meet or, more importantly, are adopted as industry standards across the broad range of entertainment industry markets in which we participate, as well as the markets in which we plan to compete in the future. We are also active in standards development where many contributing members work together to come up with next-generation technology standards in media, entertainment, and communications technologies. To have our products and technologies adopted as industry standards, we must convince a broad spectrum of standards-setting organizations throughout the world, as well as our major customers and licensees who are members of such organizations, to adopt them as such.

The market for broadcast technologies in particular has traditionally been heavily based on industry standards, often mandated by governments choosing from among alternative standards, and we expect this to continue to be the case in the future. The continued advancement of OTT media delivery and consumption is altering the landscape for broadcast standards and impacting the importance of the inclusion of our technology in certain broadcast standards, and we cannot predict if and to what extent this may impact our revenue.

Having our technologies incorporated in industry standards presents challenges to our business. Standards-setting organizations establish technology standards for use in a wide range of products and solutions. It can be difficult for companies to have their technologies adopted as an industry standard, as multiple companies, including ones that typically compete against one another, are involved in the development of new technology standards for use in consumer products. Furthermore, some standards-setting organizations choose to adopt a set of optional standards or a combination of mandatory and optional standards; in such cases, our technologies may be adopted only as an optional standard and not a mandatory standard. Standards may also change in ways that are unfavorable to Dolby.

Participants may choose alternative technologies within standards. Even when a standards-setting organization incorporates our technologies in an industry standard for a particular market or geographic region, our technologies may not be the sole technologies adopted for that market. Furthermore, different standards may be adopted within a single market or region, and across different markets and regions. Our operating results depend upon participants in that market choosing to adopt our technologies instead of competitive technologies that also may be acceptable under such standard. For example, the continued growth of our revenue from the broadcast market will depend upon both the continued global adoption of DTV generally, including in emerging markets, and the choice to use our technologies where it is one of several accepted industry standards.

Being part of a standard may limit our licensing practices. When a standards-setting organization mandates our technologies, we generally must agree to license such technologies on a fair, reasonable, and non-discriminatory basis, which could limit our control over the use of these technologies. In these situations, we must often limit the royalty rates we charge for these technologies, and we may be unable to limit to whom we license such technologies or to restrict many terms of the license. We have in the past, and may in the future, be subject to claims that our licensing of industry standard technologies may not conform to the requirements of the standards-setting organization. Allegations such as these could be asserted in private actions seeking monetary damages and injunctive relief, or in regulatory actions. Claimants in such cases could seek to restrict or change our licensing practices or our ability to license our technologies.

Royalty Reporting

Reporting practices and uncertainty may result in fluctuations in our royalty revenue from period to period. Our operating results fluctuate based on the risks set forth in this section, as well as, among other factors, on:

- Royalty reports including positive or negative corrective adjustments;
- Retroactive royalties that cover extended periods of time; and
- Timing of revenue recognition under licensing agreements and other contractual arrangements, including recognition of unusually large amounts of revenue in any given quarter.

Our results of operations could be impacted to the extent that actual revenue differs significantly from estimated revenue, or that we are required to accelerate recognition of revenue under certain arrangements, potentially causing the amount of revenue we recognize to vary materially from quarter to quarter. While our reporting practices do not change the cash flows or total revenue we receive from our contracts with customers, it could result in changes to the timing of our reported revenue and income, which in turn could cause volatility in the price of our Class A common stock.

Royalty reporting by our licensees may be inaccurate or understated. We generate licensing revenue primarily from OEMs who license our technologies and incorporate those technologies into their products. Our license agreements generally obligate our licensees to pay us a specified royalty for every product they ship that incorporates our technologies, and we rely on our licensees to report their shipments accurately. However, it is inherently difficult to independently determine whether our licensees are reporting shipments accurately, particularly with respect to software incorporating our technologies because unauthorized copies of such software can be made relatively easily. A third party may disagree with our interpretation of the terms of a license agreement or, as a result of an audit, a third party could challenge the accuracy of our calculation. We are regularly involved in discussions with third party technology licensees regarding license terms. Most of our license agreements permit us to audit our licensees' records, and we routinely exercise these rights, typically by using an independent third party auditor. Such audits are

generally expensive, time-consuming, and potentially detrimental to our ongoing business relationships with our licensees. In the past, licensees have understated or failed to report the number of products incorporating our technologies that they shipped, and we have not been able to collect and recognize revenue to which we were entitled. We expect that we will continue to experience understatement and non-reporting of royalties by our licensees. We have been able to obtain certain recovery payments from licensees (either in the form of back payments or settlements), and such recoveries have become a recurring element of our business; however, we are unable to predict with certainty the revenue that we may recover in the future or our ability to continue to obtain such recoveries at all. Continuing economic impacts related to COVID-19 may also cause longer transaction cycles and delays in royalty reporting, payment, or recoveries efforts.

Estimation of sales-based royalties may differ from actual results, which may cause volatility in royalty revenue from period to period. We recognize a material portion of our licensing revenue based on our estimate of shipments to which we expect our licensees to submit royalty statements. Upon receipt of actual reporting of sales-based royalties that we estimated previously, we record a favorable or unfavorable adjustment based on the difference, if any, between estimated and actual sales. This may cause volatility in our quarterly figures because of the estimation process and the corresponding true-up adjustments, which we disclose.

The amount of royalties we owe others may be disputed. In some cases, the products we sell and the technologies we license include IP that we have licensed from third parties. Our agreements with these third parties generally require us to pay them royalties for that use, and to give the third parties the right to audit our calculation of those royalties. A third party may disagree with our interpretation of the terms of a license agreement or, as a result of an audit, a third party could challenge the accuracy of our calculation. We are regularly involved in discussions with third party technology licensors regarding license terms. A successful challenge by a third party could result in the termination of a license agreement or an increase in the amount of royalties we have to pay to the third party.

TECHNOLOGY TRENDS AND DEVELOPMENTS

Developing new and enhanced technologies is inherently difficult and our revenue growth may be impacted if we are unsuccessful in our efforts. Our revenue growth will depend upon our success in new and existing markets for our technologies, such as digital broadcast, mobile devices, online and mobile media distribution, cinema, consumer imaging and communications. The markets for our technologies and products are influenced by:

- Rapid technological change;
- New and improved technology and frequent product introductions;
- Changing consumer and licensee demands;
- Evolving industry standards; and
- Technology and product obsolescence.

Our future success depends on our ability to enhance our technologies and products and to develop new technologies and products that address the market needs in a timely manner. Technology development is a complex, uncertain process requiring high levels of innovation, highly-skilled engineering and development personnel, and the accurate anticipation of technological and market trends. We may not be able to identify, develop, acquire, market, or support new or enhanced technologies or products on a timely basis, if at all.

Our efforts to expand into new markets may not be successful. Our future growth will depend, in part, upon our continued expansion into areas beyond our audio licensing business. For example, we recently introduced Dolby.io, our platform that allows developers to access our technologies through APIs. As we enter into this and other new markets, we will face new sources of competition, new business models, and new customer relationships. In order to be successful in these markets, we will need to cultivate new industry relationships and strengthen existing relationships to bring our products, services, and technologies to market. Our limited experience in this or other new markets could limit our ability to successfully execute on our growth strategy.

The success of our existing products and newer initiatives is dependent on the use of Dolby formats in, and commercial success of, products and content. The success of many of our newer initiatives, such as Dolby Atmos, Dolby Vision, and Dolby Cinema, is dependent upon the availability and success of (i) products that incorporate Dolby formats and (ii) content produced in Dolby formats. However, there is no guarantee that device makers will continue to incorporate Dolby formats into their products, that content creators will continue to release content in Dolby formats, or that either those products or that content will be commercially successful.

For instance, to broaden adoption of Dolby Vision and Dolby Atmos, we will need to continue to expand the array of products and consumer devices that incorporate Dolby Atmos and Dolby Vision, expand the pipeline of Dolby Atmos and Dolby Vision content available from content creators, and encourage consumer adoption in the face of competing products and technologies. Similarly, the success of Dolby Cinema is dependent on our ability to partner with movie theater exhibitors to launch new Dolby Cinema sites and to deploy new sites in accordance with plans, and on the continued release and box-office success of new films in the Dolby Vision and Dolby Atmos formats released through Dolby Cinemas.

Further, the commercial success of products incorporating Dolby formats, content released in Dolby formats, and Dolby Cinemas generally, depends upon a number of factors outside of our control, including, but not limited to, consumer preferences, critical reception, timing of release, marketing efforts of third-parties, and general market conditions. Moreover, release and distribution of such products and content can be subject to delays in production or changes in release schedule, which can negatively impact the quantity, timing and quality of such products and content released in Dolby formats and available at Dolby Cinema theaters.

INTELLECTUAL PROPERTY

Our business is dependent on protecting our intellectual property rights. Our business is dependent upon protecting our patents, trademarks, trade secrets, copyrights, and other IP rights, the loss or expiration of which may significantly impact our results of operations and financial condition. Effective IP rights protection, however, may not be available under the laws of every country in which our products and services and those of our licensees are distributed. The efforts we have taken to protect our proprietary rights may not be sufficient or effective. We also seek to maintain select IP as trade secrets, and third parties or our employees could intentionally or accidentally compromise the IP that we maintain as trade secrets. In addition, protecting our IP rights is costly and time consuming. We have taken steps in the past to enforce our IP rights and expect to do so in the future. However, it may not be practicable or cost effective for us to enforce our IP rights fully, particularly in some countries or where the initiation of a claim might harm our business relationships.

We generally seek patent protection for our innovations. However, our patent program faces a number of challenges, including:

- Possibility that innovations may not be protectable;
- Failure to protect innovations that later turn out to be important;
- Insufficient patent protection to prevent third parties from designing around our patent claims;
- Our pending patent applications may not be approved; and
- Possibility that an issued patent may later be found to be invalid or unenforceable.

Our revenue could decline if we are unable to maintain patent coverage for our technologies. Many of the technologies that we license to our system licensees are covered by patents, and the licensing revenue that we receive from those licenses depends in large part upon the life of such patents. In general, our agreements with our licensees require them to pay us a full royalty with respect to a particular technology only until there are no patents or, in some cases, no patent applications covering that technology in countries where applicable products are made and sold. As of March 31, 2023, we had approximately 18,700 issued patents in addition to approximately 1,000 pending patent applications in more than 100 jurisdictions throughout the world. Our currently issued patents expire at various times through December 2046. If we are unable to expand on our patent portfolio or refresh our technology with new patented inventions, our revenue could decline.

We seek to mitigate this risk in a variety of ways. We regularly look for opportunities to expand our patent portfolio through organic development and acquisitions. We develop proprietary technologies to replace licensing revenue from technologies covered by expiring patents with licensing revenue supported by patents with a longer remaining life. And, we develop and license our technologies in a manner designed to reduce the chance that a system licensee would develop competing technologies that do not include any Dolby IP. The continued success of these risk mitigation strategies is not guaranteed.

In the case of our patent coverage related to DD, some of our relevant patents have expired, but others continue to apply. DD is our solution that includes technology necessary to implement AC-3 as it has been updated over time. We have continued to innovate and develop IP to support the standard and its implementation. Our customers use our DD implementation for quality, reliability, and performance, even in locations where we have not had applicable patent coverage. While in the past, we derived a significant portion of our licensing revenue from our DD technologies, this is

no longer the case as revenue attributed to DD technologies has declined and is expected to continue to decline.

Many of our partners have adopted newer generations of our offerings such as DD+, and the range of products incorporating DD solutions is now limited to DVD players (but not Blu-ray players) and some TVs, STBs and soundbars. To continue to be successful in our audio licensing business, we must keep transitioning our DD licensees to our newer technologies, including our DD+ and Dolby AC-4 technologies.

Unauthorized use of our intellectual property has occurred and will likely continue to occur. We have often experienced, and expect to continue to experience, problems with non-licensee OEMs and software vendors, particularly in China and certain emerging economies, incorporating our technologies and trademarks into their products without our authorization and without paying us any licensing fees. Manufacturers of ICs containing our technologies occasionally sell these ICs to third parties who are not our system licensees. These sales, and the failure of such manufacturers to report the sales, facilitate the unauthorized use of our IP. As emerging economies transition from analog to digital content, such as the transition from analog to digital broadcast, we expect to experience an increase in problems with this form of piracy.

Our business may be negatively impacted by intellectual property litigation. Companies in the technology and entertainment industries frequently engage in litigation based on allegations of infringement or other violations of IP rights. We have faced such claims in the past, and we expect to face similar claims in the future. Any IP claims, with or without merit, could be time-consuming, expensive to litigate or settle, and could divert management resources and attention. In the past, we have settled claims relating to infringement allegations and agreed to make payments in connection with such settlements. An adverse determination in any IP claim could require that we pay damages or stop using technologies found to be in violation of a third party's rights and could prevent us from offering our products and services to others. In order to avoid these restrictions, we may have to seek a license for the technology, which may not be available on reasonable terms or at all. Licensors could also require us to pay significant royalties. As a result, we may be required to develop alternative non-infringing technologies, which could require significant effort and expense. If we cannot license or develop technologies for any aspects of our business found to be infringing, we may be forced to limit our product and service offerings and may be unable to compete effectively.

In some instances, we have contractually agreed to provide indemnifications to licensees relating to our IP. Additionally, at times we have chosen to defend our licensees from third party IP infringement claims even where such defense was not contractually required, and we may choose to take on such defense in the future.

Our business may be negatively impacted by disputes involving the licensing of our IP. At times, we are engaged in disputes regarding the licensing of our IP rights, including matters related to our royalty rates, whether products are royalty-bearing, and other terms of our licensing arrangements. These types of disputes can be asserted by our customers or prospective customers or by other third parties as part of negotiations with us or in private actions seeking monetary damages or injunctive relief, or in regulatory actions. In the past, licensees have threatened to initiate litigation against us based on potential antitrust claims or regarding our licensing royalty rate practices. Damages and requests for injunctive relief asserted in claims like these could be significant, and could be disruptive to our business.

Maintaining and enforcing our IP rights in the U.S. and abroad presents challenges to our business. Our licensing business depends in part on the uniform and consistent treatment of patent rights in the U.S. and abroad. Changes to the patent laws and regulations in the U.S. and abroad may limit our ability to obtain, license, and enforce our rights. Additionally, court and administrative rulings may interpret existing patent laws and regulations in ways that hurt our ability to obtain, license, and enforce our patents. We face challenges protecting our IP in foreign jurisdictions, including:

- Our ability to enforce our contractual and IP rights, especially in countries that do not recognize and enforce IP rights to the same extent as the U.S., Japan, Korea, and European countries do, which increases the risk of unauthorized use of our technologies;
- Limited or no patent protection for our DD technologies in geographies such as China, Taiwan, and India, which may require us to obtain patent rights for new and existing technologies in order to grow or maintain our revenue; and
- Because of limitations in the legal systems in many countries, our ability to obtain and enforce patents in many countries is uncertain, and we must strengthen and develop relationships with entertainment industry participants worldwide to increase our ability to enforce our IP and contractual rights without relying solely on the legal systems in the countries in which we operate.

OPERATIONS

Reliance on key suppliers presents certain risks to our business, many of which are beyond our control. Our reliance on suppliers for some of the key materials and components we use in manufacturing our products involves risks, including limited control over the price, timely delivery, and quality of such components, as well as delays caused by the lingering effects of the COVID-19 pandemic, the military conflict between Russia and Ukraine, and other potential interruptions to the supply chain. Due to the relatively small volume of components we purchase for use in manufacturing, we purchase such components primarily through distributors. As such, we have relatively limited influence over the suppliers of such components to, for example, ensure continuity of supply. Although we have identified alternate suppliers for most of our key materials and components, any required changes in our suppliers could cause delays in our operations and increase our production costs. In addition, our suppliers may not be able to meet our production demands as to volume, quality, or timeliness.

Moreover, we rely on sole source suppliers for some of the components that we use to manufacture our products, including specific charged coupled devices, light emitting diodes, and digital signal processors. These sole source suppliers may become unable or unwilling to deliver these components to us at an acceptable cost or at all, which could force us to redesign those specific products. Our inability to obtain timely delivery of key components of acceptable quality, any significant increases in the prices of components, or the redesign of our products could result in production delays, increased costs, and reductions in shipments of our products.

Ensuring the quality of our products and the products in which our technology is incorporated is inherently difficult, and product quality failures can be costly. Our products, and products that incorporate our technologies, are complex and sometimes contain software or hardware errors that are not detected during testing, particularly when first introduced or when new versions are released. In addition, we have limited control over manufacturing performed by contract manufacturers, which could result in quality problems. Furthermore, our products and technologies are sometimes combined with or incorporated into products from other vendors, sometimes making it difficult to identify the source of a problem or, in certain instances, making the quality of our implementation dependent in part upon the quality of such other vendors' products. Any negative publicity or impact relating to these product problems could affect the perception of our brand and market acceptance of our products or technologies. These errors could result in a loss of or delay in market acceptance of our products or cause delays in delivering them and meeting customer demands, any of which could reduce our revenue and raise significant customer relations issues. In addition, if our products or technologies contain errors, we could be required to replace or reengineer them or rely upon parties who have incorporated our technologies into their products to implement updates to address such issues, which could cause delays or increase our costs. Moreover, if any such errors cause unintended consequences, we could incur substantial costs in defending and settling product liability claims. Although we generally attempt to contractually limit our liability, if these contract provisions are not enforced, or are unenforceable for any reason, or if liabilities arise that are not effectively limited, we could incur substantial costs in defending and settling product liability claims.

Production processes for our products are subject to interruption, delay, and other risks. Production difficulties or inefficiencies can interrupt production, resulting in our inability to deliver products on time or in a cost effective manner, which could harm our competitive position. While we have one production facility, we increasingly use contract manufacturers for a significant portion of our production capacity. Our reliance on contract manufacturers for the manufacture of our products involves risks, including limited control over timely delivery and quality of such products. If production of our products is interrupted, we may not be able to manufacture products on a timely basis. A shortage of manufacturing capacity for our products could negatively impact our operating results and damage our customer relationships. We may be unable to quickly adapt our manufacturing capacity to rapidly changing market conditions and a contract manufacturer may encounter similar difficulties. Likewise, we may be unable to quickly respond to fluctuations in customer demand or contract manufacturer interruptions. At times we underutilize our manufacturing facilities as a result of reduced demand for some of our products. Supply chain disruptions and extended lead times for semiconductor and electrical components may limit the availability of products and result in difficulty meeting demand.

We face threats to our information security systems, cyber attacks, and other cybersecurity risks, which could result in the misappropriation of sensitive information, disruption of our business, reputational damage, legal exposure, and financial losses. We rely on information technology systems in the conduct of our business, including systems designed and managed by third parties. Many of these systems contain sensitive and confidential information, including our trade secrets and proprietary business information, and personal data, as well as content and information owned by or pertaining to our customers, suppliers and business partners. The secure maintenance of this information is critical to our operations and business strategy. Increasingly, companies are subject to a wide variety of attacks on their networks and systems on an ongoing basis. Our information technology and infrastructure

may be vulnerable to attacks by malicious actors including, but not limited to, nation-states and cyber criminals, malware, software bugs or other technical malfunctions, ransomware attacks, or other disruptions. Our sensitive, confidential or proprietary information may be misappropriated by third-party service providers or others who may inappropriately access or exfiltrate that information from a third-party service provider's system.

The number and sophistication of malicious attacks and disruptions that companies have experienced has increased over the past few years, including computer viruses, malware, ransomware, cyber extortion, social engineering, denial of service, and other similar attacks and disruptions. These risks could be elevated in connection with the military conflict between Russia and Ukraine. Measures we have undertaken to protect our information technology systems (including physical access controls, encryption, and authentication technologies) may be unsuccessful in deterring or repelling malicious actors. Moreover, system updates and security patches may suffer delayed implementation during extended remote working circumstances. In addition, because techniques used by malicious actors (many of whom are highly sophisticated and well-funded) to access or sabotage networks and computer systems change frequently and often are not recognized until after they are used, we may be unable to anticipate or immediately detect these techniques. This could delay our response or the effectiveness of our response and impede our operations and ability to limit our exposure to third-party claims and other potential liability. Attacks on our systems have occurred in the past and may occur, and be successful, in the future. In some instances, we might be unaware of an incident or its nature, magnitude and effects. Such risks are also faced by our third-party service providers and others, which forms another vector for malicious attacks on our systems.

We also may suffer data security breaches and the unauthorized access to, misuse or acquisition of, personal data or other sensitive and confidential information as the result of intentional or inadvertent breaches or other compromises, including by our employees or service providers. Any data security breach or other incident, whether external or internal in origin, could compromise our networks and systems, create system disruptions or slowdowns and exploit security vulnerabilities of our products. Any such breach or other incident can result in the information stored on our networks and systems, or our vendors' networks and systems, being improperly accessed or acquired, publicly disclosed, lost, or stolen, which could subject us to liability to our customers, suppliers, business partners and others, as well as regulatory investigations, fines or penalties, and brand and reputational damage. Our efforts to detect and investigate such attempts and incidents and to prevent their recurrence where practicable through changes to our internal processes and tools, but in some cases preventive and remedial action might not be successful. Disruptions to our information technology systems, due to outages, security breaches or other causes, could also have severe consequences to our business, including financial loss and reputational damage.

We must comply with a variety of data privacy regulations. Compliance with such regulations can be costly and failure to comply may affect our operations, financial performance, and business. A variety of provincial, state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. These laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the California Privacy Rights Act (CPRA) and the Virginia Consumer Data Protection Act, which took effect on January 1, 2023 (with certain provisions of the CPRA having retroactive effect to January 1, 2022), as well as obligations from new privacy laws in Colorado, Connecticut, Utah, and Iowa which will take effect between 2023 and 2025, may require us to further modify certain of our information practices and could subject us to additional compliance costs and expenses. Our actual or perceived failure to adequately comply with applicable laws and regulations relating to privacy and data protection (including regimes such as the CPRA and continuing developments in the European Union, U.K., and U.S. data privacy frameworks that are rapidly evolving) could result in regulatory fines, investigations and enforcement actions, penalties and other liabilities, claims for damages by affected individuals, and damage to our reputation, any of which could have a material adverse effect on our operations, financial performance, and business. Our commercial and cybersecurity insurance policies may be insufficient to insure us against these risks, and future escalations in premiums and deductibles under these policies may render them uneconomical.

COMPETITION

The markets for our technologies are highly competitive. The markets for our technologies are highly competitive, and we face competitive threats and pricing pressure in our markets. Consumers may perceive the quality of the visual and audio experiences produced by some of our competitors' technologies to be equivalent or superior to the sight and sound experiences produced by our technologies. Some of our current or future competitors may have significantly greater financial, technical, marketing, and other resources than we do, or may have more experience or advantages in the markets in which they compete. These competitors may also be able to offer integrated systems in markets for entertainment technologies on a royalty-free basis or at a lower price than our technologies, including audio, imaging, and other technologies, which could make competing technologies that we

develop less attractive. These competitors may also be able to develop and market new technologies that render our existing or future products less competitive. For example, disruptive technologies such as machine learning and other artificial intelligence technologies may significantly alter the market for our products in unpredictable ways and reduce customer demand.

Many of the markets for our products and for products in which our technologies are incorporated are price sensitive. The markets for the consumer entertainment products in which our technologies are incorporated are intensely competitive and price sensitive. We expect to face increased royalty pricing pressure for our technologies as we seek to drive the adoption of our technologies into online content and portable devices, such as tablets and smartphones. Such pricing pressures may be exacerbated by increased rates of inflation, which may cause device manufacturers to take additional steps to limit costs. Retail prices for consumer entertainment products that include our audio technologies, such as home theater systems, have decreased significantly, and we expect prices to decrease for the foreseeable future. In response, OEMs have sought to reduce their product costs, which can result in additional downward pressure on the licensing fees we charge. Further, Dolby.io faces significant pricing pressure from other developer platforms offering media and communication APIs that may be able to offer competing services at lower prices.

We face competitive risks in situations where our customers are also current or potential competitors. We face competitive risks in situations where our customers are also current or potential competitors. For example, Samsung is a significant customer, but some of its technologies are competitive with some of our consumer, broadcast, and cinema technologies. Our customers may choose to use competing technologies they have developed or in which they have an interest rather than use our technologies. The existence of important customer relationships may influence which strategic opportunities we pursue, as we may forgo some opportunities in the interests of preserving a critical customer relationship.

We face competition from other audio formats, imaging solutions, and integrated system offerings. We believe that the success we have had licensing our audio and imaging technologies is due, in part, to the high quality of the solutions that our technologies provide and to the strength of our brand. However, both free and proprietary sound and imaging technologies are becoming increasingly prevalent, and we expect competitors to continue to enter these fields with other offerings. Furthermore, to the extent that customers perceive our competitors' products as providing the same or similar advantages as our technologies at a lower or comparable price, there is a risk that these customers may treat sound and video encoding technologies as commodities, resulting in loss of status of our technologies, decline in their use, and significant pricing pressure. For example, we face competition with respect to our HDR imaging technology, Dolby Vision, and there can be no assurance that additional consumers will adopt Dolby Vision in the near future, or at all, or that we will maintain our existing customers.

In addition, some of our current or potential competitors may be able to offer integrated systems in certain markets for entertainment technologies, including audio and imaging, which could make competing technologies that we develop or acquire obsolete. By offering an integrated system solution, these potential competitors may also be able to offer competing technologies at lower prices than we can, which could adversely affect our operating results.

STRATEGIC ACTIVITIES

The success of our business depends on strong industry relationships. To be successful, we must maintain and grow our relationships with a broad range of industry participants, including:

- Content creators, such as film directors, studios, mobile and online content producers, and music producers;
- Content distributors, such as studios, film exhibitors, broadcasters, operators, and OTT video service providers and video game publishers;
- Developers relying on media and communication APIs offered by Dolby.io; and
- Device manufacturers.

Industry relationships have historically played an important role in the markets that we serve, particularly in the entertainment market. For example, sales of our products and services are particularly dependent upon our relationships with major film studios and broadcasters, and licensing of our technologies is particularly dependent upon our relationships with system licensees and IC manufacturers. Industry relationships also play an important role in other markets we serve; for instance, our relationships with developers are important in fostering the adoption of APIs offered by Dolby.io. If we fail to maintain and strengthen our industry relationships, industry participants may be less likely to purchase and use our technologies, products, and services, or create content incorporating our

technologies.

Our M&A activity is subject to certain risks, including risks associated with integrating acquired businesses. We evaluate a wide array of possible strategic transactions, including acquisitions. We consider these types of transactions in connection with, among other things, our efforts to strengthen our audio and cinema businesses and expand beyond audio technologies. Although we cannot predict whether or not we will complete any such acquisitions or other transactions in the future, any of these transactions could be significant in relation to our market capitalization, financial condition, or results of operations. The process of integrating an acquired company, business, or technology may create unforeseen difficulties and expenditures. Foreign acquisitions involve unique risks in addition to those mentioned above, including those related to integration of operations across different geographies, cultures, and languages; currency risks; and risks associated with the economic, political, and regulatory environment in specific countries. Future acquisitions could result in potentially dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, and write-offs of goodwill. Future acquisitions may also require us to obtain additional equity or debt financing, which may not be available on favorable terms or at all, particularly during times of market volatility, rising interest rates, and general economic instability. Also, the anticipated benefits of our acquisitions may not materialize.

We face various risks in integrating acquired businesses, including:

- Diversion of management time and focus from operating our business to acquisition integration challenges;
- Cultural and logistical challenges associated with integrating employees from acquired businesses into our organization;
- Retaining employees, suppliers and customers from businesses we acquire;
- The need to implement or improve internal controls, procedures, and policies appropriate for a public company at businesses that prior to the acquisition may have lacked effective controls, procedures, and policies;
- Possible write-offs or impairment charges resulting from acquisitions;
- Unanticipated or unknown liabilities relating to acquired businesses; and
- The need to integrate acquired businesses' accounting, management information, manufacturing, human resources, and other administrative systems to permit effective management.

LEGAL AND REGULATORY COMPLIANCE

Conducting business internationally presents a number of risks to our business, including trade restrictions and changing, unpredictable, and/or inconsistent laws in the jurisdictions in which we operate. We are dependent on international sales for a substantial amount of our total revenue. Approximately 61% and 57% of our revenue was derived outside of the U.S. in the fiscal year-to-date ended March 31, 2023 and April 1, 2022, respectively. We are subject to a number of risks related to conducting business internationally, including:

- U.S. and foreign government trade restrictions or sanctions, including those which may impose restrictions on the importation or exportation of products, equipment, materials, software, technologies, services, on technology transfers, or on the receipt or collection of payments and distribution of royalties, and any political or economic responses or counter-responses to such restrictions or sanctions, including any such restrictions, sanctions, responses, or counter-responses related to the military conflict between Russia and Ukraine or changes in US export controls related to China and other countries;
- Changes in trade relationships, including new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers imposed by the U.S. or by other countries;
- Compliance with applicable international laws and regulations, including antitrust and other competition laws, that may change unexpectedly, differ, or conflict with laws in other countries where we conduct business, or are otherwise not harmonized with one another;
- Foreign government taxes, regulations, and permit requirements, including foreign taxes that we may not be able to offset against taxes imposed upon us in the U.S., and other laws limiting our ability to repatriate funds to the U.S.;
- Potential adverse changes in the political, social, and/or economic stability of or conflicts within the regions in which we operate (including Europe, Russia, Asia, the Middle East, North Africa, Latin America

and other emerging markets) or in diplomatic relations between governments;

- Difficulty in establishing, staffing, and managing foreign operations, including but not limited to restrictions on the ability to obtain or retain licenses required for operation, relationships with local labor unions and works councils, investment restrictions and/or requirements, and restrictions on foreign ownership of subsidiaries;
- Adverse fluctuations in foreign currency exchange rates and interest rates, including risks related to any interest rate swap or other hedging activities we undertake;
- Poor recognition and enforcement of IP rights;
- Difficulties in enforcing contractual rights;
- Multi-jurisdictional data protection and privacy laws, including the European Union's General Data Protection Regulation and restrictions on transferring personally identifiable information outside of a jurisdiction;
- The global macroeconomic environment and potential slowing of key markets we serve; and
- Changes in the regulatory and compliance landscape resulting from COVID-19.

Any or all of these factors may impact our ability to operate in foreign countries and the demand for, and profitability of, our technologies and products, as well as our customers' products that incorporate our technologies.

Certain foreign governments, particularly in China, have advanced arguments under their competition laws that exert downward pressure on royalties for IP. The regulatory enforcement activities in such jurisdictions can be unpredictable, in some cases because these jurisdictions have only recently implemented competition laws. From time to time, we are the subject of requests for information, market conduct examinations, inquiries or investigations by industry groups and/or regulatory agencies in these jurisdictions. For instance, the Korean Fair Trade Commission has requested information relating to our business practices in South Korea on various occasions, and has made findings regarding the audit of a single customer. We do not believe the outcome of this matter will have a material impact on our business or results of operations. In the event that we are involved in significant disputes or are the subject of a formal action by a regulatory agency, our results could be negatively impacted and we could be exposed to costly and time-consuming legal proceedings.

In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. regulations applicable to us such as the FCPA and U.S. export controls. Although we implement policies and procedures designed to ensure compliance with the FCPA and U.S. export controls, there can be no assurance that all of our employees, distributors, dealers, and agents will not take actions in violation of our policies or these regulations.

Environmental laws and regulations may pose additional costs on and otherwise impact our products and operations. Our products and operations may be regulated under federal, state, local, and international laws governing the environment, including those governing the discharge of pollutants into the air and water, the management, disposal, and labeling of hazardous substances and wastes, the achievement of certain energy performance criteria, and the cleanup of contaminated sites. In addition, future environmental laws and regulations have the potential to affect our operations, increase our costs, decrease our revenue, or change the way we design or manufacture our products. We face increasing complexity in our product design as we adjust to requirements relating to the materials composition of our products. In some products, the use or avoidance of particular components that contain regulated hazardous substances may be more difficult or costly, and additional redesign efforts could result in production delays. We could incur costs, fines, and civil or criminal sanctions, third party property damage or personal injury claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under environmental laws.

We are subject to regulations relating to “conflict minerals” and compliance with, or failure to comply with, such regulations may be costly. SEC rules require the disclosure of the use of tantalum, tin, tungsten, and gold (commonly referred to as "conflict minerals") that are sourced from the Democratic Republic of the Congo and surrounding countries. Certain of those minerals are used in the manufacturing process of electrical components that our products utilize. The potential inclusion of conflict minerals in the materials used in our products could affect the sourcing, availability and pricing of such materials as well as the companies we use to manufacture our products. In circumstances where sources of conflict minerals from the Democratic Republic of the Congo or surrounding countries are not validated as conflict free, we may take actions to change materials, designs or manufacturers to

reduce the possibility that our contracts to manufacture products that contain conflict minerals finance or benefit local armed groups in the region. As there may be only a limited number of suppliers that can certify that they are offering “conflict free” conflict minerals, we cannot be sure that our component suppliers will be able to obtain necessary conflict minerals from such suppliers in sufficient quantities or at competitive prices. These actions could also add engineering and other costs in connection with the manufacturing of our products. If conflict minerals are used in our products, even if inadvertently, disclosure of such use could affect public and investor perception of Dolby and our products.

We may not be able to sufficiently verify the origins for the minerals used in our components. Our reputation may suffer if we determine that our components contain conflict minerals that are not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our components. In addition, some customers may require that all of our products are certified to be conflict free and if we cannot satisfy these customers, they may choose a competitor's products.

We are subject to complex and changing tax laws which may impact our financial results. We are a U.S. multi-national company that is subject to tax in multiple U.S. and foreign jurisdictions. We must use judgment to determine our worldwide tax provision. We earn a significant amount of our income outside the U.S. and receive tax benefits from a portion of these foreign sales. Realizability of these benefits are contingent upon existing current tax laws and regulations in the U.S. and countries where we operate. The following could materially affect our effective tax rate:

- Changes in geographic mix of earnings, where earnings are lower than anticipated in countries with lower tax rates and higher than anticipated in countries with higher tax rates;
- Changes in the valuation of our deferred tax assets and liabilities;
- Changes in transfer pricing arrangements;
- Outcomes of tax audits;
- Changes in accounting principles;
- Changes in tax laws and regulations in the countries in which we operate, including an increase in tax rates, or an adverse change in the treatment of an item of income or expense; or
- Our ability to effectively implement changes to our corporate structure in response to changes in applicable tax laws and regulations in the countries in which we operate.

Changes in U.S. tax law, including the Tax Cuts and Jobs Act ("Tax Act") and the Inflation Reduction Act, may affect our business. These provisions, their interpretations, and proposed changes to law introduced by the current administration could further impact our corporate trading structure and adversely affect our tax rate and cash flow in future years.

In addition, the Organization of Economic Cooperation and Development (“OECD”), an international association of many countries including the U.S., has made changes to many long-standing transfer pricing and cross-border taxation rules that affect our operations. The OECD has proposed a 15% global minimum corporate tax, which has recently been adopted by the Council of the EU for enactment by EU Member States and may be adopted by the U.S. Further, the OECD, European Commission, EU Member States and other individual countries have made and could make additional competing jurisdictional claims over the taxes owed on earnings of multinational companies in their respective countries or regions. To the extent these actions take place in the countries that we operate, it is possible that these law changes and efforts may increase uncertainty and have an adverse impact on our effective tax rates or operations.

We are subject to the periodic examination of our income tax returns by tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes and to consider potential responsive actions, but an adverse decision by tax authorities exceeding our reserves could significantly impact our financial results.

STOCK-RELATED ISSUES

The Dolby family has control over stockholder decisions as a result of the control of a majority of the voting power of our outstanding common stock by them and their affiliates. At March 31, 2023, the Dolby family and their affiliates owned 388,372 shares of our Class A common stock and 36,012,733 shares of our Class B common stock.

As of March 31, 2023, the Dolby family and their affiliates had voting power of 99.8% of our outstanding Class B common stock, which combined with their shares of our Class A common stock, represented 85.7% of the combined voting power of our outstanding Class A and Class B common stock. Under our certificate of incorporation, holders of Class B common stock are entitled to ten votes per share while holders of Class A common stock are entitled to one vote per share. Generally, shares of Class B common stock automatically convert into shares of Class A common stock upon transfer of such Class B common stock, other than transfers to certain specified persons and entities, including the spouse and descendants of Ray Dolby and the spouses and domestic partners of such descendants.

As a result of this dual class structure, the Dolby family and their affiliates will, for the foreseeable future, have significant influence over our management and affairs, and will be able to control virtually all matters requiring stockholder approval, including the election of directors and significant corporate transactions such as mergers or other sales of our company or assets, even if they come to own considerably less than 50% of the total number of outstanding shares of our Class A and Class B common stock. Absent a transfer of Class B common stock that would trigger an automatic conversion as described above, there is no threshold or time deadline at which the shares of Class B common stock will automatically convert into shares of Class A common stock.

Moreover, the Dolby family and their affiliates may take actions in their own interests that our other stockholders do not view as beneficial.

Sales of substantial amounts of our Class A common stock in the public markets could reduce the price of our Class A common stock. If our large shareholders, officers, directors or employees sell, or indicate an intention to sell, substantial amounts of our Class A common stock in the public market, including shares of Class A common stock issuable upon conversion of shares of Class B common stock, the trading price of our Class A common stock could decline.

There are risks associated with our stock repurchase program. Our stock repurchase program may reduce the public float of shares available for trading on a daily basis. Such purchases may be limited, suspended, or terminated at any time without prior notice. There can be no assurance that we will buy additional shares of our Class A common stock under our stock repurchase program or that any future repurchases will have a positive impact on our stock price or EPS. Important factors that could cause us to discontinue or decrease our share repurchases include, among others, unfavorable market conditions, the market price of our Class A common stock, the nature of other investment or strategic opportunities presented to us, the rate of dilution of our equity compensation programs, our ability to make appropriate, timely, and beneficial decisions as to when, how, and whether to purchase shares under the stock repurchase program, the tax consequences of any repurchases (including the potential impact of the recently enacted 1% excise tax on stock repurchases), and the availability of funds necessary to continue purchasing stock. If we curtail our repurchase program, our stock price may be negatively affected.

There are risks associated with our dividend program. We cannot provide assurance that we will continue to increase dividend payments and/or pay dividends. We are not obligated to pay dividends on our Class A and Class B common stock. In October 2014, we announced a quarterly cash dividend program for our stockholders that was initiated by our Board of Directors. Although we anticipate paying regular quarterly dividends for the foreseeable future, dividend declarations and the establishment of future record and payment dates are subject to the Board of Directors' continuing determination that the dividend policy is in the best interests of our stockholders. The dividend policy may be changed or canceled at the discretion of the Board of Directors at any time. If we do not pay dividends, the market price of our Class A common stock must appreciate for investors to realize a gain on their investment. This appreciation may not occur and our Class A common stock may in fact depreciate in value.

GENERAL RISK FACTORS

COVID-19, including the spread of variants of SARS-CoV-2, has impacted and will continue to impact our operations and financial performance. COVID-19 continues to impact several of our partners and has resulted in disruption of the supply chain of consumer products and delays in shipments, product development and product launches. In addition, it is unclear how demand for consumer products that include our technologies may change in response to, and following, the pandemic. These factors have impacted revenue pertaining to customer-shipment royalties. Further, these factors have and may continue to result in delays in the release of new products or services that contain our technologies by partners and licensees. In cases where a partner or licensee's financial condition has significantly worsened, we may have difficulty collecting or be unable to collect amounts owed to us. We may also be negatively impacted by delays in transaction cycles and our recoveries efforts due to ongoing global restrictions related to the pandemic. COVID-19 has also impacted, and may in the future impact, our workforce and workforce policies, which may negatively impact our productivity and operations.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted with any certainty, including, but not limited to, the duration and extent of the pandemic, additional actions taken by governments, businesses and consumers in response to the pandemic, additional subsequent outbreaks and variant strains, and how quickly and to what extent normal economic and operating conditions can resume. Even after COVID-19 has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any persistent economic impacts and any recession that may occur.

Macroeconomic conditions, including elevated inflation, rising interest rates, and supply chain constraints, have impacted and may continue to impact the markets we serve and our business and results of operations. Our revenue and operations and the markets we serve have been, and may continue to be, impacted by macroeconomic conditions, including but not limited to, elevated inflation, rising interest rates, COVID-19-related restrictions and economic impacts, supply chain constraints, increased shipping costs, international conflicts, reduced discretionary consumer spending, and reduced new product investment by our customers caused by higher interest rates and lower demand. The current macroeconomic environment has negatively impacted, and may continue to negatively impact, many of our licensees and that directly impacts, and may continue to impact, our financial results. The impacts of the current macroeconomic environment on our partners have resulted in, and may continue to cause, the disruption of consumer products' supply chains, shortages of certain semiconductor components, and delays in shipments, product development, and product launches. The macroeconomic conditions also impart substantial uncertainty into our operating environment, which presents additional challenges for our business. These factors and the related uncertainty may cause delays or a decrease in the adoption or implementation of our technologies into new products by partners and licensees. These conditions may impact consumer demand for devices and services and our partners' ability to manufacture devices. Further, we may be negatively impacted by delays in transaction cycles and our recoveries efforts due to the noted macroeconomic conditions and related uncertainty. The future implications of these macroeconomic conditions on our business, the markets we serve, results of operations and overall financial position remain uncertain.

Our results may be impacted by fluctuations in foreign currency exchange rates. We earn revenue, pay expenses, own assets and incur liabilities in foreign countries using several currencies other than the U.S. dollar. As a result, we face exposure to adverse movements in currency exchange rates as the financial results of our international operations are translated from local currency into U.S. dollars upon consolidation. The majority of our revenue generated from international markets is denominated in U.S. dollars, while the operating expenses of our foreign subsidiaries are predominantly denominated in local currencies. Therefore, our operating expenses will increase when the U.S. dollar weakens against the local currency and decrease when the U.S. dollar strengthens against the local currency. Additionally, foreign exchange rate fluctuations on transactions denominated in currencies other than the functional currency result in gains or losses that are reflected in our unaudited interim condensed consolidated statements of operations. Further, our hedging programs may not be effective to offset any, or more than a portion, of the adverse impact of currency exchange rate movements. Additional risks related to fluctuations in foreign currency exchange rates are described in the Foreign Currency Exchange Risk section of Part I, Item 3 "*Quantitative and Qualitative Disclosures About Market Risk.*"

Business interruptions by natural disasters and other events beyond our control could adversely impact our business. Although we maintain crisis management plans, our business operations are subject to interruption by natural disasters and catastrophic events beyond our control, including, but not limited to, earthquakes, hurricanes, typhoons, tropical storms, floods, tsunamis, fires, droughts, tornadoes, public health issues and pandemics, severe changes in climate, war, terrorism, and geopolitical unrest and uncertainties. Further, outbreaks of pandemic diseases, or the fear of such events, could provoke (and in the case of COVID-19 has provoked) responses, including government-imposed travel restrictions and limits on access to entertainment venues. These responses could negatively affect consumer demand and our business, particularly in international markets. War, including the military conflict between Russia and Ukraine and any related political or economic responses and counter-responses or otherwise by various global actors or the general effect on the global economy and supply chain, could also affect our business. For example, we have R&D facilities and a large number of employees in Eastern Europe, and any business interruptions or other spillover effects from such conflict could adversely impact our business.

Additionally, several of our offices, including our corporate headquarters in San Francisco, are located in seismically active regions. Because we do not carry earthquake insurance for earthquake–related losses and significant recovery time could be required to resume operations, our financial condition and operating results could be materially adversely affected in the event of a major earthquake or catastrophic event.

We face intense competition for employees. In order to be successful, we must attract, develop, and retain employees, including employees to work on our growth initiatives where our current employees may lack experience with the business models and markets we are pursuing. Competition for experienced employees in our markets can be intense. In order to attract and retain employees, we must provide competitive compensation packages, including cash and equity compensation. Our equity awards include stock options, RSUs and performance-based RSUs. The future value of these awards is uncertain, and depends on our stock price performance over time. In order for our compensation packages to be viewed as competitive, prospective employees must perceive our equity awards to be a valuable benefit.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Our Board of Directors announced a $250.0 million stock repurchase program on November 3, 2009. The program, which has no expiration date, approved the repurchase of shares of our Class A common stock, $0.001 par value per share. The authorized maximum was subsequently increased by $300.0 million, $250.0 million, $100.0 million, $200.0 million, $200.0 million, $350.0 million, $350.0 million, $350.0 million, $250.0 million, and $350.0 million as announced on July 29, 2010, August 4, 2011, February 8, 2012, October 23, 2014, January 25, 2017, July 25, 2018, August 1, 2019, July 29, 2021, February 3, 2022, and August 9, 2022 respectively. Stock repurchases under this program may be made through open market transactions, negotiated purchases, or otherwise, at times and in amounts that we consider appropriate.

The following table provides information regarding our share repurchases made under the program during the second quarter of fiscal 2023:

Repurchase Activity	Total Shares Repurchased	Average Price Paid Per Share [1]	Total Shares Purchased As Part Of Publicly Announced Programs	Remaining Authorized Share Repurchases [2]
December 31, 2022 - January 27, 2023	316,296	$75.15	316,296	287.7 million
January 28, 2023 - February 24, 2023	238,750	$82.99	238,750	267.9 million
February 25, 2023 - March 31, 2023	76,000	$82.64	76,000	261.6 million
Total	**631,046**		**631,046**	

(1) Average price paid per share excludes commission costs.
(2) Amounts represent the approximate dollar value of the maximum remaining number of shares that may yet be purchased under the stock repurchase program as of the end of the applicable period, and excludes commission costs.

ITEM 6. EXHIBITS

Exhibit Number	Description	Incorporated By Reference Herein			Provided Herewith
		Form	File Number	Date	
10.1*	Dolby Laboratories, Inc. 2020 Stock Plan (as amended and restated on February 7, 2023)	Form 8-K	001-32431	February 10, 2023	
10.2*	Dolby Laboratories, Inc. Employee Stock Purchase Plan (as amended and restated on February 7, 2023)	Form 8-K	001-32431	February 10, 2023	
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act				X
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act				X
32.1+	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act				X
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				X
101.SCH	XBRL Taxonomy Extension Schema Document				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Extension Definition				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				X

* Denotes a management contract or compensatory plan or arrangement.

\+ Furnished herewith.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 4, 2023

DOLBY LABORATORIES, INC.

By: /S/ ROBERT PARK

Robert Park
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Kevin J. Yeaman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dolby Laboratories, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ KEVIN J. YEAMAN

Kevin J. Yeaman

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Robert Park, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dolby Laboratories, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2023

/s/ ROBERT PARK

Robert Park
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Dolby Laboratories, Inc. (the "Company"), on Form 10-Q for the fiscal quarter ended March 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), Kevin J. Yeaman, President and Chief Executive Officer of the Company and Robert Park, Senior Vice President and Chief Financial Officer of the Company, respectively, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 4, 2023

/s/ KEVIN J. YEAMAN

Kevin J. Yeaman
President and Chief Executive Officer
(Principal Executive Officer)

/s/ ROBERT PARK

Robert Park
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)