REFINITIV STREETEVENTS

EDITED TRANSCRIPT

DLB.N - Q4 2023 Dolby Laboratories Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 16, 2023 / 10:00PM GMT

OVERVIEW:

Company Summary

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

CORPORATE PARTICIPANTS

Kevin J. Yeaman *Dolby Laboratories, Inc. - President, CEO & Director*

Peter Goldmacher

Robert J. Park *Dolby Laboratories, Inc. - Senior VP & CFO*

CONFERENCE CALL PARTICIPANTS

James Charles Goss *Barrington Research Associates, Inc., Research Division - MD*

Ralph Edward Schackart *William Blair & Company L.L.C., Research Division - Partner & Technology Analyst*

Steven Bruce Frankel *Rosenblatt Securities Inc., Research Division - Director of Research & Senior Research Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Dolby Laboratories Conference Call, discussing fiscal fourth quarter results.

(Operator Instructions)

As a reminder, this call is being recorded, Thursday, November 16, 2023. I would now like to turn the conference over to Mr. Peter Goldmacher, Vice President of Investor Relations. Peter, please go ahead.

Peter Goldmacher

Good afternoon. Welcome to Dolby Laboratories Fourth Quarter 2023 Earnings Call. Joining me today are Kevin Yeaman, Dolby Labs CEO; and Robert Park, Dolby Labs CFO.

As a reminder, today's discussion will include forward-looking statements, including our fiscal 2024 first quarter and full year outlook and our assumptions underlying that outlook. These statements are subject to risks and uncertainties, that may cause actual results to differ materially from the statements made today, including, among other things, the impact of current macroeconomic events, ongoing supply chain issues, inflation rates, changes in consumer spending and geopolitical instability on our business.

A discussion of these and additional risks and uncertainties can be found in the earnings press release, that we issued today under the section captioned Forward-Looking Statements, as well as in the Risk Factors section of our most recent annual report on Form 10-K. Dolby assumes no obligation and does not intend to update any forward-looking statements, made during this call as a result of new information or future events.

During today's call, we will discuss certain non-GAAP financial measures. A reconciliation between GAAP and non-GAAP financial measures is available in our earnings press release and on the Interactive Analyst Center on the Investor Relations section of our website.

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

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Thank you, Peter, and thanks to everyone for joining us today. Today, I'd like to cover 3 topics. First, I'm going to make some brief comments on the macro. Second, I will revisit the fundamental premise underlying our business model to help you understand, why we remain so bullish on our opportunity. And third, I'll make a few comments about our fourth quarter and share our outlook and priorities for fiscal year '24, before turning the call over to Robert.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

I know the macro is top of mind for many of you. The demand environment hasn't changed noticeably, since the last time we spoke in August. Our partners and customers still want to bring the best audio and video experiences to their consumers, and we continue to have strong engagement. At the same time, many of our partners and customers continue to rebalance their priorities to reflect the current economic realities.

The impact on Dolby from a top line perspective is that some new partnerships and design wins are taking more time. And when you layer in the amount of time it takes to go from an agreement to a Dolby-enabled device reaching the market, things are just taking longer. I'll talk more about our outlook and the progress we are making on our long-term growth opportunities in a few minutes. But before I do that, I'd like to spend a few minutes revisiting our business model, to help you all understand why we remain confident in our long-term growth opportunities.

We generate over 90% of our revenues from licensing. Today, roughly 2/3 of our licensing revenue comes from our foundational audio technologies, which includes our branded audio codecs and our audio patent licensing. These technologies have broad penetration across a diverse set of devices and end markets, and we continue to strengthen our position through ongoing innovation.

Our revenue from these technologies is primarily driven by device shipments from licensees and is largely correlated with consumer spending over the long term. The remainder of our licensing revenue primarily comes from Dolby Atmos, Dolby Vision and our imaging patents. Dolby Atmos and Dolby Vision are earlier in the adoption and licensing cycle than our foundational audio technologies. So our opportunity for growth is more driven by increased adoption from current partners and the addition of new licensees.

Top line growth for Dolby Atmos and Dolby Vision is more about getting on more devices that are shipping than about how many devices are shipping. I'd like to spend the next few minutes discussing our ecosystem and the growth opportunity for Dolby Atmos and Dolby Vision, since that is the most dynamic part of our business.

The Dolby ecosystem is built on 3 pillars: creators, distributors and device manufacturers. Creators are the people like a movie director, a musician or a social media influencer, that use Dolby technology to make content. Distributors are companies that deliver Dolby-enabled content to consumers like a Netflix, Apple Music or Comcast. Device manufacturers are the companies that make consumer hardware and pay us royalties, when they sell devices that include Dolby technology.

Some examples would include a Sony or LG TV and Apple iPhone, a Sonos speaker soundbar or Mercedes. Creators and distributors are a critical part of the ecosystem because they create and distribute the content, that is ultimately enjoyed by consumers on their devices. Dolby generates substantively all of its licensing revenue from device manufacturers.

The amount and availability of great content, created in Dolby continues to grow, and this is the first step in a virtuous cycle. As more creators create high-quality content in Dolby, that content attracts more distribution and device partners. The virtuous cycle for Dolby is that as more devices support the Dolby experience, the more content creators want to create in Dolby and the more distributors want to deliver that content. We remain excited about our business because we see the momentum from our creators and strong engagement from our distributors and device manufacturers. Which we expect to drive long-term growth.

These days, there are just more content, more types of content and more ways to enjoy that content. The top 10 global movie and TV streaming providers, all offer an ongoing flow of Dolby-enabled content, with several of them carrying thousands of movies and TV episodes, sourced from a large range of major and independent studios, who create in Dolby.

The top 20 grossing movies in the United States for the last 2 years were created in Dolby Atmos and Dolby Vision, including 2 of the biggest movies this summer, Barbie and Oppenheimer, as well as this fall's Taylor Swift: The Eras Tour. Over 85% of the global Billboard's top 100 artists of 2023, have one or more tracks available in Dolby Atmos. All 3 major record labels and hundreds of indies are delivering Dolby Atmos tracks to 16 music services in over 160 countries.

We have growing support for Dolby Vision Capture so that anyone can create and share high-quality videos. And in sports, the U.S. Open, Bundesliga, Men's World Cup Soccer, Major League Baseball, the Super Bowl and the Premier Cricket League, all delivered content in Dolby Technologies. These

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

content stories highlight that Dolby Atmos and Dolby Vision are becoming a de facto standard across a wide variety of content. And we believe this sets us up very well to continue to drive partnerships with device manufacturers to drive long-term growth.

Our top areas of focus are TVs and living room devices, driven by movie, TV and sports content, automotive driven by Dolby Atmos music, and mobile devices driven by user-generated content. With that context, I'd like to transition to some of our Q4 highlights.

We had some great wins this quarter. We signed up BYD, the Chinese car manufacturer, who has already launched its first car with Dolby Atmos. BYD is our fifth automotive OEM win this year and our 10th OEM win to date. These manufacturers are in various stages of rolling out their first models and in some cases, like Mercedes, rolling out multiple follow-on models.

Bringing Dolby Atmos music to automotive represents one of our most compelling growth opportunities and momentum continues to build. Sports came to the fore this summer, as events all over the world leveraged Dolby technology to broadcast high-quality content to Dolby-enabled devices. Comcast is broadcasting ESPN's college football game of the week in Dolby Vision and Dolby Atmos. Sky TV in the U.K. showed the U.S. Open tennis tournament in Dolby Atmos. And in India, the French Open was available in Dolby Atmos and Dolby Vision. And Disney Star, delivered the Indian -- International Cricket Council World Test Championships in Dolby Atmos.

This fall, Max streamed its baseball playoff games in Dolby. We've enjoyed strong adoption for movie and TV enthusiasts for a long time, and now sports enthusiasts are able to enjoy the Dolby experience. And this represents a new opportunity for us to drive more adoption on more TVs over time. We also had a very active quarter for speakers and headphones, including wins with a variety of household names, including TCL, Jabra, Yamaha and LG. These partnerships are driven both by our strength in movie and TV content, as well as our fast-growing presence in music.

And in mobile, Honor, a Chinese smartphone manufacturer adopted Dolby Vision playback. Four of the top 5 mobile phone OEMs and the leading social media platforms in China, are leveraging Dolby technology, an indication of our strong and growing presence enabling user-generated content.

We also had continued momentum in the quarter from longtime partners, shipping new products with Dolby Atmos and Dolby Vision, including Apple and the iPhone 15, Microsoft's latest version of the Surface and Amazon's new Fire TV 4K. Some other highlights for the quarter include Zebronics, an Indian PC OEM, now shipping products with Dolby Atmos, indicating momentum down market. And Polytron, the largest TV OEM in Indonesia, introducing Dolby technology in all of its TVs over 32 inches.

Turning to innovation. This quarter, we introduced Dolby Atmos FlexConnect, a new solution that enables consumers to place wireless speakers, paired with the TV, anywhere in a room and automatically get an immersive Dolby Atmos experience. TCL is our first partner to announce this product.

And speaking of innovation, I'd like to touch on Dolby.io. Since its introduction, we've released several technologies with the aim of enabling higher quality experiences across a broader range of audio and video use cases. We now have enough market feedback to consolidate our efforts around the biggest opportunities, like the ability to stream high-quality audio video in hundreds of milliseconds, an area where we are seeing demand in sports and entertainment, for more real-time interactive experiences.

The net result is a streamlined organization and a clear path to drive growth and margin over time. In addition, we've sharpened our focus, across the organization to find efficiencies to prioritize processes and projects that deliver meaningful benefit, and to scale back or eliminate activities where the benefits aren't as compelling.

So moving on to FY '24. Our guidance for FY '24, is for revenue to be roughly flat. As I said at the start of the call, our pipeline remains strong, but given the persistence of current economic conditions, some of our new partnerships and design wins are taking longer. We expect a slight decline in foundational. And while we continue to expect a multiyear CAGR of 15% to 25% in Dolby Atmos, Dolby Vision and imaging patents over the medium term, we do not expect to achieve our targeted growth of 15% to 25% this year.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

In light of these conditions, we are sharpening our priorities to drive margin growth faster than sales growth this year. Robert will take you through the outlook in more detail in a few moments. We have 3 priorities for FY '24. The first priority is to drive long-term growth by continuing to work within the 3 pillars of our ecosystem to drive the virtuous cycle we discussed earlier. The second priority is continuous innovation, to bring more Dolby experiences to more people around the world. And the third priority is growing earnings faster than revenue, while we continue to navigate economic headwinds.

I'm enormously proud of all the people that work at Dolby to bring great experiences to market. We will continue to drive the creation of Dolby-enabled content in the market, engage with distributors to keep the channels that deliver that content vibrant and innovate with our device partners and customers to bring Dolby experiences to more people around the world.

There's never been a stronger demand in the market for entertainment content and for that content to be more and more immersive. All of this gives me confidence in our long-term growth opportunity and our ability to execute on it.

With that, I'd like to turn the call over to Robert to discuss our financials, before we open the line for questions.

Robert J. Park - *Dolby Laboratories, Inc. - Senior VP & CFO*

Thanks, Kevin. Before I dig into the numbers, I'd like to share 3 thoughts. First, results for Q4 and the full year came in as expected from both the top line and bottom line perspective. Second, we're streamlining the business to best support our top line priorities, which will deliver margin expansion. And third, despite the economy, we feel good about our long-term prospects, as our value proposition remains strong and our financials are solid.

Q4 revenue was $291 million, up 4%, compared to the year ago quarter and just above the midpoint of guidance we shared with you on the last earnings call. Licensing revenue of $265 million was up 6% year-over-year. Products and services revenue was $25 million, down 13% year-over-year, driven by lower cinema product sales.

For the full year 2023, we grew the business 4% to $1.3 billion. Our Foundational Technologies revenue was down approximately 5% year-over-year. Revenue from our Dolby Atmos, Dolby Vision and imaging patents category was up 20% year-over-year and represented just over 1/3 of our licensing revenue. We break out licensing revenue into 5 markets: Broadcast, which includes TVs and set-top boxes, mobile, consumer electronics, PC and other.

Detailed performance by category is on our IR website, but I'd like to point out some noteworthy details. Broadcast, our largest end market, was down 6% year-over-year in the quarter, but was up 4% for the full year with Dolby Atmos, Dolby Vision and imaging patents, more than offsetting declines in foundational revenue due to lower shipments.

Consumer electronics was up 15% year-over-year in the quarter, but was down 9% for the full year, primarily due to lower device shipments. PC sales remained sluggish, and our Other category grew 52% year-over-year in the quarter and was up 35% for the full year, driven primarily by growth in imaging patent admin fees in Dolby Atmos and Auto.

Moving to the bottom line. In Q4, we earned $0.65 per diluted share on a non-GAAP basis, above the high end of our guidance, primarily due to a lower tax rate. We generated $85 million in operating cash flow, repurchased $25 million of stock and have $212 million remaining on our repurchase plan authorization.

We declared a $0.30 dividend, up 11% from our dividend, a year ago and ended the year with cash and investments of just under $1 billion. During the fourth quarter, in order to realign resources with our strategic priorities, we adopted a restructuring plan that we completed in November.

In the fourth quarter, we recorded a non-GAAP restructuring charge of about $30 million, comprised of $13 million for severance and related benefits for impacted employees. And an impairment loss of approximately $17 million, associated primarily with internally developed software

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

that is no longer aligned with our priorities. In Q1, we expect to record an additional non-GAAP charge of approximately $5 million for severance and related benefits for actions taken in November.

For the things we can control, we are focusing internally on activities that will have the greatest near-term impact and are delaying or eliminating projects that don't offer compelling payback. Speaking about R&D specifically, we continue to invest in technologies that we believe will shape the future of content and entertainment.

Turning to guidance. As Kevin discussed at the outset of this call, there is still uncertainty in the market, and our guidance assumes no material change in the macroeconomic environment. As Kevin mentioned in his comments, while we continue to see steady growth of content created and distributed in Dolby technology, and strong engagement from our partners, device shipments remain soft and some design wins are taking longer to get to market.

For Q1 '24, we expect revenue to be between $300 million and $330 million. Within that, licensing revenue is estimated to range from $275 million to $305 million. Q1 is down year-over-year, largely due to true-ups last year and timing of revenue, associated with minimum volume commitments and recoveries. Gross margin should be between 89% and 90% on a non-GAAP basis. We expect non-GAAP operating expenses to be between $180 million and $190 million. Our effective tax rate for Q1 is projected to be around 20% on a non-GAAP basis.

So based on the combination of factors I just covered, we estimate that non-GAAP EPS should be between $0.80 and $0.95.

Turning to the full year guidance for fiscal year '24. We are expecting roughly flat revenue. Embedded in this guidance is an assumption of a mid-single-digit decline in foundational audio licensing revenue, offset by high single-digit growth in Dolby Atmos, Dolby Vision and imaging patent licensing revenue and flat products and services revenue.

We expect the timing of licensing revenue to be more evenly distributed than the last 2 years, with a slight weighting towards the first half of the year. Looking at our licensing by end market, we see solid growth in other markets and PC should benefit from slightly higher units, higher revenue from engine patents and recoveries. This increase will be offset by declines in broadcast, consumer electronics and mobile.

While we see growth in Dolby Atmos and Dolby Vision in these markets, this year, the overall revenue declines are primarily due to tough comps in terms of the timing and size of deals, including minimum volume commitments and recoveries and true-ups in foundational engineering patents last year. We continue to expect a multiyear CAGR of 15% to 25% in Dolby Atmos, Dolby Vision and imaging patents over the medium term.

Non-GAAP gross margin should be roughly 89%. Non-GAAP operating expenses for the full year should be in the $740 million to $750 million range, which will result in about a 1 to 2 percentage point improvement in operating margins on a full year basis. On the bottom line, we are expecting non-GAAP EPS of between $3.60 and $3.75.

To wrap things up, the creation and distribution of Dolby-enabled content continues to grow nicely. And our partners are still very engaged. Our financials are solid, and we are well positioned for growth, when economic conditions improve.

Lastly, for those of you coming to Vegas in early January for CES, we're going to host some demos for the investment community on January 10, at 8 a.m. Please follow up with Peter for an invitation.

This concludes our prepared remarks. Operator, can you please open the line for Q&A?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

We'll take our first question this afternoon, from Steven Frankel at Rosenblat Securities.

Steven Bruce Frankel - *Rosenblatt Securities Inc., Research Division - Director of Research & Senior Research Analyst*

So Kevin, let's explore a little bit this notion that you're going to have much lower growth in Atmos and Vision. Is that both a function of some deals that you had in the pipeline that are taking longer and your penetration is leveled out and say you get another slug of larger customers? Kind of where are we in the adoption cycle?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Yes. Thanks, Steve. So it varies by type of content and type of device. But what I would say is, our confidence in the growth in Dolby Atmos and Dolby Vision is really founded and we continue to see tremendous growth in the content across each of our focus areas. We continue to see more and more content available. And we do continue to have strong engagement across our pipeline.

And Steve, you've been with us through many adoption cycles, and we've done that through many different economic environments. And even in the best of times, it's difficult to predict the timing of those adoption cycles, rarely does it go in a straight line, and that's particularly true in this environment, where it could take a quarter or 2 longer to get a device win. It could take a quarter or 2 longer to get -- for a customer to get from a device win to a device in market.

And so we continue to have confidence in our ability to grow at a 15% to 25% CAGR in the midterm. And that's because of the strength we see in the amount of content coming to market and the distribution of that content, and we continue to get design wins and have great engagement with our partners.

Steven Bruce Frankel - *Rosenblatt Securities Inc., Research Division - Director of Research & Senior Research Analyst*

Again, just trying to dig into this a little more. So the traffic jam, so to speak, is that primarily in new customers or new device areas? Or are you seeing even in your current device area of customers saying, "I'm going to stop spreading Atmos and Vision, deeper in my product line" for now maybe because they're cost conscious?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

So, I'd be hard pressed to paint a broad brush across the entirety of our growth opportunities. But if you look at automotive, for instance, we continue to win partners. We announced BYD this quarter. That's our 10th partner over the last couple of years. Some of those devices are in market. Some of the devices are yet to come to market. And it's a growing part of the business, but coming off a relatively small base.

In the TV space, there's a couple of things going on. One is that, while overall TV units were largely flat, as you know, we have very high penetration at the high end of the market. We did over the last year, see a shift from high end to lower and mid-tier, which is where we continue to work to increase our attach rate. We did see some increases this year based on some of the announcements we've made throughout the year like TCL moving to 4K, moving to Dolby Atmos and Dolby Vision on all of its North American 4K TVs and also looking to move that to India as well.

But I think that, that's an area where we still have a lot of opportunity ahead of us. And one of the things we're excited about there is the continued momentum you see in sports content. That's a really important value proposition, which I think represents a new energy behind our value proposition for the low and the mid-tier. So those are some of the dynamics within each of our focus areas.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Steven Bruce Frankel - *Rosenblatt Securities Inc., Research Division - Director of Research & Senior Research Analyst*

Okay. And let me sneak one last one in. I appreciate the details on IO and focusing in on this streaming market. What's the time line to get to meaningful revenue? Does this help you ramp that business faster? Or is this still kind of a multiyear drive to get to where you need to go?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Well, so I think that it helps us drive revenue growth faster. I think that it's ultimately -- Dolby.io, stepping back, is about bringing the Dolby experience to a far broader range of experiences and audiences and with the goal of increasing the TAM for Dolby. And as you know, we've tried a number of things, through our developer platform, over the last few years. And what we've done is, looked at where we're seeing the greatest opportunity and the greatest demand. And that is for companies that are looking to build more immersive, more real-time, more personalized digital experiences. And they are drawn to things like our ability to stream high-quality audio video content in ultra-low latency, meaning that there's almost no discernible difference between what's going on live and when you're seeing it on your screen.

And we're also seeing, Steve, that that's shifting toward demand from larger enterprises that want to do this at a larger scale. So that's also a shift in the sales model, one that we feel well suited to go after. And so that's why, we've been able to kind of consolidate our activities, but more importantly, come out with a more focused organization.

Operator

We'll go next now to Ralph Schackart at William Blair.

Ralph Edward Schackart - *William Blair & Company L.L.C., Research Division - Partner & Technology Analyst*

Kevin, you talked about the partnerships and design wins, maybe being lengthened or delayed because of the macro. Just want to get some more context on that. Is that something that you've seen a little bit more pronounced, this quarter and perhaps last? Just any more color you could give sort of the linearity of the extension of these partnerships or designs throughout the last fiscal year.

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Yes. I think as we said at the top, I wouldn't say that we've seen a significant change in the macro, since the last time we talked. But obviously, we've been operating in this environment for some time now. So there's kind of the cumulative effect of those things.

And we do continue -- I do want to emphasize that we continue to get -- bring on some great partners like BYD, like the wins we had on mobile this quarter adding Honor and a number of smart speakers and headphone partners. But you'll remember, Ralph, we're seeing some deals, push out about a year, 1.5 years ago, then we saw some of them land this last year. It's just a little bit harder to predict the timing in this environment.

And like I said, and as you know, in the best of times, these adoption cycles are not always linear. But when we have the level of momentum we have with content and the amount of adoption we have through distribution, we develop a very high degree of confidence that we can and will get on a much higher number of devices.

But predicting that trajectory is not always easy, and it's a little bit harder in this environment. That could take the form of the design win taking longer. It could take the form of, once we get the design win, the customer is waiting for a chipset to launch that product. It could be that they're moving the launch because -- around what -- how the external environment is affecting them.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

Ralph Edward Schackart - *William Blair & Company L.L.C., Research Division - Partner & Technology Analyst*

Great. And then for Robert, it sounds like there were some further cost initiatives in the quarter. Maybe just kind of revisit your philosophy around operating expenses and how you're thinking about them for this fiscal year and kind of maybe your philosophy going forward on, I guess, reining in or focusing on OpEx.

Robert J. Park - *Dolby Laboratories, Inc. - Senior VP & CFO*

Yes. In terms of operating expenses, as Kevin said, we're always looking at ways we can be more efficient and more effective in meeting our top line priorities, which is growing revenue in the most efficient way possible.

You've seen that what we've done in Q3 and in Q4 and finishing those actions here in November and we're going to continue doing that. I don't think you ever stop looking at make sure that you can be as effective and efficient as possible. And the results of that, as you see is expansion of the operating margins between 1 and 2 percentage points for the year. And that's how we're looking at it for this next year.

Operator

We'll go next now to James Goss at Barrington Research.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

All right. I was wondering first on television. If you think there's enough runway, in terms of greater penetration with Atmos and Vision in the domestic markets, domestic manufacturers for that to be your priority? Or do you think to the extent you've mentioned a couple of international television makers that, that could provide some opportunity that could rival whatever you're doing domestically?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Yes. I think we have had some great wins internationally, over the last couple of quarters. I think the way to think about it, Jim, is that we have very high penetration, across the high end of the market. And there's a larger amount of televisions in the low to mid-tier and we're really confident in our ability to bring the Dolby experience to those devices, given the momentum we have with movies and TV and given the increasing momentum we have with live sports.

And that part of the market is going to be also about getting more of those international providers like the ones we've won. There's also quite a bit of big-box retailers and white label brands. And we've had design wins coming in, but the opportunity is still in front of us.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Okay. But international, probably still won't be significant to be a meaningful factor, dollar-wise?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

No, I would say the way to think about it is that we have high penetration at the high end. And so, where that falls geographically is largely about consumption. We have high penetration in the high end in Europe, in China and in many other markets. So you have seen some wins from us, the last couple of quarters in India, this quarter in Indonesia. So certainly, there is more opportunity there. But I think in terms of the growth opportunity, that we're excited about, we're really thinking, first and foremost, about increasing our penetration on the low- to mid-tier devices.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

REFINITIV

And sports is a really important value proposition for that, and we've really increased our presence in sports, and we're excited about where that's going to go going forward.

James Charles Goss - *Barrington Research Associates, Inc., Research Division - MD*

Okay. And to the extent that Dolby's revenue generation has tended to be a sort of a rolling cycle of new initiatives over time with Atmos and Vision, the key ones at the moment. And to the extent that IO has taken some time to gain some traction, do you think there's a chance that there are some royalty initiatives that are not in the mix that we noticed right now that could wind up emerging as significant for you before IO becomes significant?

Kevin J. Yeaman - *Dolby Laboratories, Inc. - President, CEO & Director*

Yes, it's a great question. I mean we've been clear, I think, about our top focus areas. But yes, we continue to see, we continue to innovate. We continue to bring new technologies to market. And there are other areas that certainly in the midterm, could produce growth in Dolby Atmos and Dolby Vision.

Operator

Thank you. And gentlemen, it appears we have no further questions this afternoon. So we would like to thank everyone for joining the Dolby Laboratories Fourth Quarter Results Conference Call. We wish you all a great evening. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.

©2023 Refinitiv. All rights reserved. Republication or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.