



2023 ANNUAL REPORT



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended September 29, 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  
(State or other jurisdiction of incorporation or organization)

90-0199783  
(I.R.S. Employer Identification No.)

1275 Market Street  
San Francisco California  
(Address of principal executive offices)

94103-1410  
(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

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

Title of each class  
Class B common stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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, smaller reporting company, or an emerging growth company. See the 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of March 31, 2023 was \$4.1 billion. This calculation excludes the shares of Class A and Class B common stock held by executive officers, directors and stockholders whose ownership exceeds 5% of the combined shares of Class A and Class B common stock outstanding as of March 31, 2023. This calculation does not reflect a determination that such persons are affiliates for any other purposes.

On October 27, 2023, the registrant had 59,190,225 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.

### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A in connection with the registrant's 2024 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's fiscal year ended September 29, 2023. Except with respect to information specifically incorporated by reference in this Form 10-K, the Definitive Proxy Statement is not deemed to be filed as part of this Form 10-K.

**DOLBY LABORATORIES, INC.**  
**FORM 10-K**  
**For the Fiscal Year Ended September 29, 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:

<u>Abbreviation</u>	<u>Term</u>
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
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
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

## Forward Looking Statements

*This Annual Report on Form 10-K 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 the coronavirus pandemic (“COVID-19”) on our business; 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 I, Item 1A, “Risk Factors” and key challenges set forth in Part II, Item 7, “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 Annual Report on Form 10-K, 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 Annual Report on Form 10-K to conform our prior statements to actual results.*

**PART I**  
**ITEM 1. BUSINESS**

**OVERVIEW**

Dolby Laboratories creates audio and imaging technologies that transform entertainment for content playback in movies, TV, music, gaming and user-generated content. 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, home entertainment devices, and automobiles.

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 to our licensing business, we provide products and services for a variety of applications in the cinema and broadcast markets, and offer solutions to companies building real-time digital experiences that increase audience engagement.

**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 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 so that users may enjoy richer, clearer, and more immersive sound and sight experiences.

*Expanding the Reach of our Technologies.* We look for new and innovative ways to expand the reach of our technologies to new content, media, devices and audiences. For example, we are expanding our addressable market to enhance a broader range of content, by offering solutions to companies building real-time digital experiences that increase audience engagement. Our solution provides the capability to stream high quality audiovisual content in ultra-low latency which reduces the delay between the action and the viewer. Everyone experiencing the action at the same time enables ways to interact with the content.

**REVENUE GENERATION**

The following table presents a summary of the composition of our revenue for all periods presented. Refer to Note 2 “*Summary of Significant Accounting Policies*” and Note 3 “*Revenue Recognition*” for further detail.

Revenue	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Licensing .....	92%	93%	95%
Products and services .....	8%	7%	5%
<b>Total</b> .....	<b>100%</b>	<b>100%</b>	<b>100%</b>



We generate revenue from licensing arrangements with approximately 500 electronics product OEM and software developer licensees.

### ***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.

<b>Technology</b>	<b>Description</b>
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:

<b>Market</b>	<b>Fiscal Year Ended</b>			<b>Main Components of Each Category</b>
	<b>September 29, 2023</b>	<b>September 30, 2022</b>	<b>September 24, 2021</b>	
Broadcast .....	38%	37%	39%	Televisions and STBs
Mobile .....	20%	21%	22%	Smartphones and Tablets
CE .....	14%	16%	15%	DMAs, Blu-ray Disc devices, AVRs, Soundbars, and DVDs
PC .....	10%	13%	12%	Windows and macOS operating systems and devices
Other .....	18%	13%	12%	Dolby Cinema, Gaming consoles, Automotive, and Patent pool administrative services
<b>Total .....</b>	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>	

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 implementation, 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. By aggregating and offering pooled patents, these arrangements deliver efficiencies that reduce transactional costs for both IP owners and licensees. 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, VVC and other standardized technologies through a combination of patent pools and licensing directly to OEMs. Finally, Via LA (as defined below) generates fees for administering patent pools on behalf of third party patent owners. See Note 15 “*Business Combinations*” to our consolidated financial statements for a description of the recent business combination involving Via LA.

*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 II, Item 7 “*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, and accessibility solutions for hearing and visually impaired consumers

### *Services*

We offer solutions to companies building real-time digital experiences that increase audience engagement. 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.

### **INTELLECTUAL PROPERTY**

We have a substantial base of IP assets, including patents, trademarks, copyrights, and trade secrets developed based on our technical expertise.

As of September 29, 2023, we had approximately 19,300 issued patents and approximately 1,900 pending patent applications in more than 100 jurisdictions throughout the world. Our currently issued patents expire at various times through September 2045.

Some of our patents relating to DD technologies have expired, and others will expire over the next several years. 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. The primary products where DD is widely used include automotive, TVs, and soundbars. We have transitioned a number of our DD licensees to DD+ technologies, an extension of our DD technologies, whose patents generally expire later than the DD patents.

We pursue a general practice of filing patent applications for our technologies in the United States (“U.S.”) and foreign countries where our customers manufacture, distribute, or sell licensed products. We actively pursue new applications to expand our patent portfolio to address new technological innovations, and we also make strategic acquisitions of technology and patents from time to time. We have multiple patents covering aspects and improvements for many of our technologies.

We have approximately 1,600 trademark registrations throughout the world for a variety of wordmarks, logos, and slogans. Our trademarks cover our various products, technologies, improvements, and features, as well as the services that we provide. These trademarks are an integral part of our technology licensing program, and licensees typically elect to place our trademarks on their products to inform consumers that their products incorporate our technology and meet our quality specifications.

We protect our IP rights both domestically and internationally. From time to time, OEMs have failed to report or have underreported shipments of their products that incorporate our technologies. We have also had problems with implementation licensees selling ICs with our technologies to third parties that are not system licensees. We anticipate that such problems will continue to occur. Accordingly, we have taken steps in the past to enforce our IP rights and expect to continue doing so in the future.

Moreover, in certain countries, we have relatively few or no issued patents. For example, in some African and Central and South American countries, we have only limited patent protection for our technologies. Consequently, we may realize less revenue from those regions in the future. Maintaining or growing our licensing revenue in developing countries will depend in part on whether we obtain patent rights in those countries, which is uncertain. Further, because of the limitations of the legal systems in many countries, the effectiveness of patents obtained or that may in the future be obtained is uncertain.

## **INDUSTRY STANDARDS**

Several Dolby technologies have been adopted as, or are included in, the explicit or de facto industry standard for broadcast, discrete media, and online delivery in various markets worldwide.

Explicit industry standards are adopted through a standardization process whereby government entities, industry standards-setting bodies, trade associations, and others evaluate and then prescribe the use of a technology. For example, as global broadcast standards for digital, HD, and UHD television have developed, Dolby audio technologies have been adopted or mandated in various regions of the world, highlights of which are as follows:

- DD+ and HE-AAC are mandated for use in terrestrial broadcast across many countries including France, Italy, the United Kingdom (“U.K.”), Sweden, Germany, Poland, Turkey, and Russia. In addition, DD+ and HE-AAC are included in the digital terrestrial television specifications of emerging digital TV markets in Africa, Brazil, South-East Asia, and India while operators in China have selected DD and DD+ as optional technologies for transmissions using the country’s digital terrestrial television specification.
- DD is mandated for HD broadcast in multiple regions including North America and South Korea, and for DVD players on a global basis.
- AC-4 is Dolby’s audio coding technology that has been adopted for implementation for next generation broadcast services in certain regions by worldwide standards organizations including the DVB and ATSC. In Europe, AC-4 has been mandated in next generation broadcast specifications for Denmark, Finland, Iceland, Ireland, Italy, Norway, Poland and Sweden, and is also included in the specification for the new UHD terrestrial TV platform issued by regulator ARCOM in France. In North America, AC-4 is mandated for TVs for the NextGen TV over-the-air broadcast platform, based on ATSC3.0. The adoption of AC-4 continues to grow, and AC-4 is already widely supported in UHDTVs available worldwide from major manufacturers.
- In mobile devices, HE-AAC v2 (3GPP eAAC+) is specified for various applications in the 3rd Generation Partnership Project suite of standards.
- Extended HE-AAC is included in Digital Radio Mondiale radio broadcasting standards.

In addition, Dolby technologies have become, or are included in, de facto industry standards in many consumer entertainment products. De facto industry standards are adopted by industry participants when technologies are introduced to the marketplace and become widely used, and include the following examples:

- Prior to the adoption of HD terrestrial broadcast standards mandating Dolby technologies, many European HD broadcasters began broadcasting in DD or DD+, leading OEMs to include these technologies in their televisions and STBs for the European market.
- HE-AAC is a de facto audio standard in entertainment services. It is included in popular operating systems and widely used by major broadcasting, streaming, and radio services.

- DD+ is the de facto technology used by a wide range of pay-TV operators and streaming services worldwide and is included in popular operating systems such as iOS and Windows. It is also widely used by major OTT services such as Apple TV+, Disney+, Netflix, and Amazon, and is included in the specifications of these services.
- Extended HE-AAC is a de facto industry standard in streaming applications. It is included in popular operating systems and used in major OTT services.

## **RESEARCH AND DEVELOPMENT**

We conduct R&D activities at numerous locations in the U.S. and internationally. Dolby's history of producing innovative technology has created many forms of IP. This IP generates licensing revenue that enables us to fund and pursue further innovation.

The majority of our R&D resources are focused on developing leading audio and imaging technologies for consumer entertainment. Each of these technologies can support many offerings, and we anticipate bringing new innovations to market in the future.

## **PRODUCT MANUFACTURING**

Our product quality is enabled through the use of well-established, and in some cases, highly automated, assembly processes along with rigorous testing of our products. We rely primarily upon contract manufacturers for the majority of our production capacity. We purchase components and fabricated parts from multiple suppliers; however, we rely on sole source suppliers for certain components used to manufacture our products. We source components and fabricated parts both domestically and internationally.

## **SALES AND MARKETING**

Our marketing efforts focus on demonstrating how our solutions improve entertainment experiences. We sell our solutions primarily using an internal sales organization to various customers in the markets where we operate. We also license our technologies and IP indirectly through patent pools, where owners of IP covering technology standards aggregate their patents and offer the pooled patents to implementers through patent pool licensing administrators who are responsible for the sales and marketing of the pooled patents. We promote our solutions and our brand through industry events such as trade-shows, film festivals, movie premieres, product launches, as well as through our website, public relations, direct marketing, co-marketing programs, and social media. In addition, we hold the naming rights to the Dolby Theatre, home to the Academy Awards® in Hollywood, California, where we showcase our technology and host high-profile events. We also hold the naming rights to Dolby Live at the Park MGM in Las Vegas, Nevada. Dolby Live is a fully integrated performance venue offering live concerts in Dolby Atmos. We maintain more than 20 sales offices in key regions around the globe.

## **CUSTOMERS**

We license our technologies to a broad set of customers that operate in a wide range of industries, and we sell our professional products either directly to the end user or, more commonly, through dealers and distributors. Users of our professional products and services include film studios, content creators, post-production facilities, cinema operators, broadcasters, and video game designers.

## **COMPETITION**

The entertainment industry are highly competitive, and we face aggressive competition in all areas of our business. Some of our current and 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. 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.

Many products that include our audio and imaging technologies also include technologies developed by our competitors. We believe that the principal competitive factors in our markets include some or all of the following:

- Degree of access and inclusion in industry standards;
- Technological performance, flexibility, and range of application;
- Brand recognition and reputation;
- Timeliness and relevance of new product introductions;
- Quality and reliability of products and services;
- Relationships with producers, directors, and distributors in the film and television industry, with television broadcast industry leaders, with OTT industry leaders, and with the management of semiconductor and CE OEMs;
- Availability of compatible high quality audio and video content; and
- Price.

Certain foreign governments, particularly in China, have advanced arguments under their competition laws that exert downward pressure on royalties for IP, which can impact the licensing fees that we are able to collect. The regulatory enforcement activities in such jurisdictions can be unpredictable, in some cases because these jurisdictions have only recently implemented competition laws.

Our technologies, products, and services span the audio and imaging sectors of several distinct and diverse industries, including the broadcast, mobile, consumer entertainment, PC, gaming, automotive, cinema, and other industries. The lack of a clear definition of the markets in which our products, services, and technologies are sold or licensed, the nature of our technologies, their potential use for various commercial applications, and the diverse nature of and lack of detailed reporting by our competitors, make it impracticable to quantify our position.

## **HUMAN CAPITAL**

At Dolby, we strive to act as a good partner to our customers, employees, shareholders, and communities. We are committed to fostering a workplace environment in which every employee can contribute their fullest potential and make a positive impact through their roles.

Details of this work are available in our Sustainability Report, and we encourage you to read it on our website and learn more. Nothing in our Sustainability Report shall be deemed incorporated by reference into this Annual Report on Form 10-K.

As of September 29, 2023, we had 2,246 employees worldwide, of whom 1,060 employees were based outside of the U.S. None of our employees are subject to a collective bargaining agreement.

### *Employee Well-being*

Our workforce strategies prioritize employee well-being and take an integrated approach to mental, physical, and financial well-being for our employees. We have expanded our well-being programs to include therapy and access to wellness coaching, mindfulness training and live community sessions.

We continue to implement business strategies that support the health and safety of our employees and enable business continuity. We have implemented a flex work program that enables employee connection and effective work delivery globally. In a company-wide survey in May 2023, Motivation & Commitment scores indicate that we remain highly connected to our work and each other.

#### *Diversity, Inclusion and Belonging (“DIB”)*

To spark positive change, bolster employee resiliency, and strengthen our community, DIB is embedded across company programs. Our approach comprises investing in the next generation of talent, cultivating a culture of inclusion, and belonging and advancing and retaining our employees.

To invest in the talent of the future, we provide financial contributions, employee engagement, and support of science, technology, engineering, arts, and mathematics education and partnerships at K-12 schools and universities.

We have programs and practices in place to support creating an environment where individual experiences and perspectives are welcome and where everyone can belong and thrive. This includes equipping our leaders, colleagues, and peers with tools to have open and authentic conversations. We look at diversity, inclusion and belonging comprehensively through hiring, retention, progression, and employee experiences.

We empower everyone at Dolby to be co-creators of change by offering employees opportunities to learn and grow through educational sessions, hands-on workshops, and employee-led Employee Network (“EN”) events. Our EN community encompasses 14 networks, convening around many different dimensions of diversity including gender, race/ethnicity and more, to build community and drive awareness of issues impacting employees identifying with these dimensions of diversity and their allies.

We hold ourselves accountable for our progress and publish our global gender diversity and U.S. race and ethnic diversity workforce data annually. We encourage you to review our Sustainability Report for more detailed information.

#### *Compensation and Benefits*

We offer competitive compensation (including salary, incentive bonus, and equity) and benefits packages in each of our locations around the globe. In addition to comprehensive health benefits and the ESPP, depending on the location, employees may also enjoy free or subsidized fitness programs, commuter benefits, wellness credits, tuition reimbursement opportunities, and personal development courses, among other benefits.

#### *Social Impact*

Through our social impact programs, employees from our offices around the world organize to volunteer as individuals, as part of a work team or through our diversity, inclusion, and belonging employee networks. From mentoring youth, to supporting adults re-entering the workforce, to aiding people experiencing hardships, our employees are making our communities stronger. We partner with organizations in our local communities around the world, including the Arts, Media and Entertainment Institute, Bay Area Video Coalition, Girls Make Beats, Girls Who Code, IGNITE Worldwide, Inneract Project, University of Sydney’s Women in Engineering Program, and Fundacja Rodziny Maciejko in Poland to organize employee volunteer opportunities. Our efforts are intended to share Dolby’s experiences, ideas and approaches from our unique position at the intersection of science, technology and art.

### *Management Succession Planning*

Our Board of Directors works with the Nominating and Governance Committee on succession planning for our Chief Executive Officer, including a process for identifying potential successors. Our Board of Directors has adopted an emergency succession plan in the event of the death, disability, incapacity or unanticipated departure or leave of our Chief Executive Officer. The organization regularly conducts talent reviews for other management roles and key positions for succession management and talent planning purposes.

### *Board Oversight of Human Capital Management*

Through our Compensation Committee, our Board of Directors provides oversight of human capital matters. Our Nominating and Governance Committee works with the Board of Directors on management succession as described above. The Board and Board committees are supported in these efforts by our management team, People, Legal and Compliance.

## **CORPORATE AND AVAILABLE INFORMATION**

We were founded in London, England in 1965 and incorporated in the State of New York in 1967. We reincorporated in California in 1976 and reincorporated in Delaware in September 2004. Our principal corporate offices are located at 1275 Market Street, San Francisco, California 94103. Our telephone number is (415) 558-0200.

Our website is [www.dolby.com](http://www.dolby.com). We make available on our website, free of charge, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our SEC reports can be accessed through the Investor Relations section of our website at [www.investor.dolby.com](http://www.investor.dolby.com). The information found on our website is not part of this or any other report we file with or furnish to the SEC. The SEC also maintains a website that contains our SEC filings at [www.sec.gov](http://www.sec.gov).



## ITEM 1A. RISK FACTORS

*The following risk factors and other information included in this Annual Report on Form 10-K 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, geopolitical instability, global health risks, 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 collaborate 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 is 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. Additionally, the recently concluded strikes by the Writers Guild of America and the Screen Actors Guild—American Federation of Television and Radio Artists (“SAG-AFTRA”) effectively halted the production, release and promotion of certain films for an extended period. The resulting impacts of those stoppages may lead to decreased box office receipts in the near term, which would directly impact the revenue generated by Dolby Cinema theaters and could potentially impact exhibitors’ willingness and ability to invest in Dolby cinema products. Also, 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 offerings 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 the growth of our Dolby Cinema and cinema products offerings, 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, heightened 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.* Standards-setting organizations establish technology standards for use in a wide range of products and solutions. The entertainment industry in particular has historically depended upon industry standards to ensure compatibility and interoperability 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. Nonetheless, it can be difficult to have our technologies and products adopted as industry standards. To do so, 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. 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.

The market for broadcast technologies in particular has traditionally been heavily based on industry standards, in some cases 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.

*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. Additionally, where our technologies are incorporated into a standard, our licensing practices may become subject to additional regulatory requirements. For example, the European Union (EU) legislature is considering regulation that would impose a number of requirements on standard essential patent (SEP) licensing practices in the EU. Such regulation could, if it comes into effect, impose additional costs and disclosure requirements on our SEP licensing business and potentially reduce associated revenue.

## **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.

*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. 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 market needs in a timely manner, including the development of technologies and products that incorporate rapidly developing machine learning and other artificial intelligence technologies (“AI/ML”). 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. If we are unable to develop technologies and related intellectual property that are accepted into technology standards, or are unable to do so at the same rate as other technology developers, our royalty share within patent pools that we participate in may decline.

*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. As we enter into 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 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 September 29, 2023, we had approximately 19,300 issued patents in addition to approximately 1,900 pending patent applications in more than 100 jurisdictions throughout the world. Our currently issued patents expire at various times through September 2045. If we are unable to refresh our technology with new patented inventions or expand our patent portfolio, our revenue could decline. In addition to patents covering technology we license directly, if patents we license through patent pool arrangements expire or are otherwise deemed not to be valuable by the licensees of such patent pools, they may not renew their licenses, which could impact our revenue.

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 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 intellectual property in a manner designed to promote the continued use and licensing of our technology. The continued success of these risk mitigation strategies is not

guaranteed, including the risk that such technologies will not achieve widespread adoption or be licensed at a rate sufficient to replace licensing revenue from technologies covered by expiring patents.

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 and intellectual property laws and regulations in the U.S. and abroad, including the regulation regarding SEP licensing in the EU referenced above, 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; 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 military conflicts, including those between Russia and Ukraine and between Israel and Hamas, 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. This 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 cyber 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, supply chain attacks, and other similar attacks and disruptions. These risks could be elevated in connection with military conflicts around the world. Measures we have undertaken to protect our information technology systems may be unsuccessful in deterring or repelling malicious actors. Since 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 detection and response, or impede the effectiveness of our response, 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. 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 such incidents and the public disclosure of such incidents may cause brand and reputational damage. We make 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, including with respect to the development and use of AI/ML technologies, and may result in ever-increasing obligations and regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the California Privacy Rights Act (CPRA), 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 Virginia, Colorado, Connecticut, Utah, Iowa, Indiana, Texas, Montana, Oregon, Delaware, Florida, and Tennessee that have taken or will take effect between 2023 and 2026, 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 AI/ML 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 elevated 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 pricing pressure from other platforms offering similar solutions 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, streaming providers, and OTT video service providers and video game publishers;
- Companies building real-time digital experiences that increase audience engagement; 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 companies building real-time digital experiences support the adoption of Dolby.io solutions. 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 64%, 63% and 67% of our revenue was derived outside of the U.S. in fiscal year 2023, 2022, and 2021, 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 global military conflicts 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 and laws and regulations that relate to environmental, social, and governance matters, 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, for example, the European Union’s General Data Protection Regulation and restrictions on transferring personal data outside of a jurisdiction and potential legislation such as the Artificial Intelligence Act under consideration in the EU potentially impacting our development of products incorporating AI/ML or the use of AI/ML tools in our business; and
- The global macroeconomic environment and potential slowing of key markets we serve.

Any or all of these factors may impact our ability to operate in foreign countries and our ability to develop, 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 requested information relating to our business practices in South Korea on various occasions, and initially made findings regarding the audit of a single customer. In July 2023, that determination was overturned by the Korean Civil court and thus the matter was fully resolved in Dolby’s favor. 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 used in our products are determined to finance armed conflict, even if we are not aware of such status, disclosure of such status 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 introduced a framework to implement a 15% global minimum corporate tax, referred to as Pillar 2 or the minimum tax directive. The minimum tax directive has been adopted by the EU for implementation by its Member States into national legislation by the end of 2023 and may be adopted by other jurisdictions, including 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 September 29, 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 September 29, 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 1% excise tax on certain 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**

*Macroeconomic conditions, including elevated inflation, rising interest rates, supply chain constraints, and the lasting effects of COVID-19 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 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.

COVID-19, including the spread of variants of SARS-CoV-2, continues to impact several of our partners and it is unclear how demand for consumer products that include our technologies may change in response to, and following, the pandemic. The degree to which COVID-19 impacts our results will depend on future developments, which 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 to what extent economic and operating conditions can return to pre-pandemic conditions. Even after COVID-19 has subsided, if ever, 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.

*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 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 II, Item 7A “*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 conflicts between Russia and Ukraine and between Israel and Hamas, as well as 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 the Russia-Ukraine 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 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

### *Headquarters*

Our principal corporate office and worldwide headquarters, which we own, is at 1275 Market Street, San Francisco, California.

### **Other Properties**

We also own a commercial office building located in Sunnyvale, California, and lease additional R&D, sales, product testing, and administrative facilities from third parties in California, New York, Indiana, Pennsylvania, Missouri, Colorado, and internationally, including in Asia, Europe, Australia, the Middle East, and South America. We believe that our current facilities are adequate to meet our needs for the near future, and that suitable additional or alternative space will be available on commercially reasonable terms to accommodate our foreseeable future operations.

Dolby Wootton Bassett, LLC, of which Dagmar Dolby as Trustee of the Dagmar Dolby Trust under the Dolby Family Trust Instrument dated May 7, 1999 (the “Dagmar Dolby Trust”) is the sole member, and the Dagmar Dolby Trust, own a majority financial interest in real estate entities that own and from whom we may lease certain facilities located in Burbank, California and in Wootton Bassett, England. We own the remaining financial interests in these real estate entities. Specifically, we hold a 49.0% minority ownership interest in Dolby Properties Burbank, LLC, which owns a 22,000 square foot facility in Burbank that we are leasing until 2025. We also hold a 10.0% minority ownership interest in Dolby Properties, LP, which owns a 17,500 square foot facility in Wootton Bassett. We are no longer leasing the Wootton Bassett facility.

### **100 Potrero Avenue, San Francisco, California**

Since 1980, we have leased a corporate office located at 100 Potrero Avenue, San Francisco, California from the various Dolby family trusts. The lease for this office expires on October 31, 2024, and provides approximately 70,000 square feet of space. The Dolby family trusts retain the right, which they have exercised, to sublease approximately 1,617 square feet of office space in the premises at a rental rate equal to the then current base rent per square foot paid by us plus \$14 per square foot per year (reflecting estimated costs payable by us for the operation and maintenance of the premises, subject to an annual increase of 1.5% per year during each year of the sublease term).

We ceased occupancy of the leased space at 100 Potrero Avenue, and do not intend to re-occupy this location. We remain responsible for operating expenses, taxes, and the condition, operation, repair, maintenance, security, and management of the premises. We have also agreed to indemnify and hold the Dolby family trusts, as landlord, harmless from and against certain liabilities, damages, claims, costs, penalties, and expenses arising from our conduct related to the premises. We also have a sublease with a subtenant for the remaining lease term at 100 Potrero Avenue, pursuant to which the subtenant is required to reimburse us with respect to the foregoing expenses and taxes with respect to the subleased premises and to indemnify and hold us harmless with respect to the subleased premises in the same manner described above.

### **ITEM 3. 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 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 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our Class A common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "DLB." Our Class B common stock is neither listed nor publicly traded. As of October 27, 2023, there were 93 holders of record of our Class A common stock and 34 holders of record of our Class B common stock. The number of Class A beneficial stockholders is substantially greater than the number of holders of record since a large portion of our common stock is held through brokerage firms.

#### Dividend Policy

In October 2014, we announced a quarterly cash dividend program for our stockholders that was initiated by our Board of Directors. Since the program was initiated, a quarterly dividend has been declared and paid to all eligible stockholders of Class A and Class B common stock. Most recently, on November 16, 2023, we announced a dividend in the amount of \$0.30 per share, payable on December 5, 2023, to stockholders of record as of the close of business on November 28, 2023.

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. For additional information related to our quarterly dividend, see Note 9 "*Stockholders' Equity and Stock-Based Compensation*" to our consolidated financial statements and *Shareholder Return* in Part II, Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

#### Sales of Unregistered Securities

None.

#### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

In November 2009, we announced a stock repurchase program ("program"), providing for the repurchase of our Class A common stock. 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.

The following table summarizes the initial amount of authorized repurchases as well as additional repurchases approved by our Board of Directors as of September 29, 2023 (in thousands):

<u>Date of Authorization</u>	<u>Authorization Amount</u>
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
<b>Total</b> .....	<b><u><u>\$2,950,000</u></u></b>

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

<u>Repurchase Activity</u>	<u>Total Shares Purchased</u>	<u>Average Price Paid Per Share (1)</u>	<u>Total Shares Purchased As Part Of Publicly Announced Programs</u>	<u>Remaining Authorized Share Repurchases (2)</u>
July 1, 2023 - July 28, 2023 .....	285,499	\$87.57	285,499	\$211.6 million
July 29, 2023 - August 25, 2023 .....	—	\$ —	—	\$211.6 million
August 26, 2023 - September 29, 2023 ..	—	\$ —	—	\$211.6 million
<b>Total</b> .....	<b><u><u>285,499</u></u></b>		<b><u><u>285,499</u></u></b>	

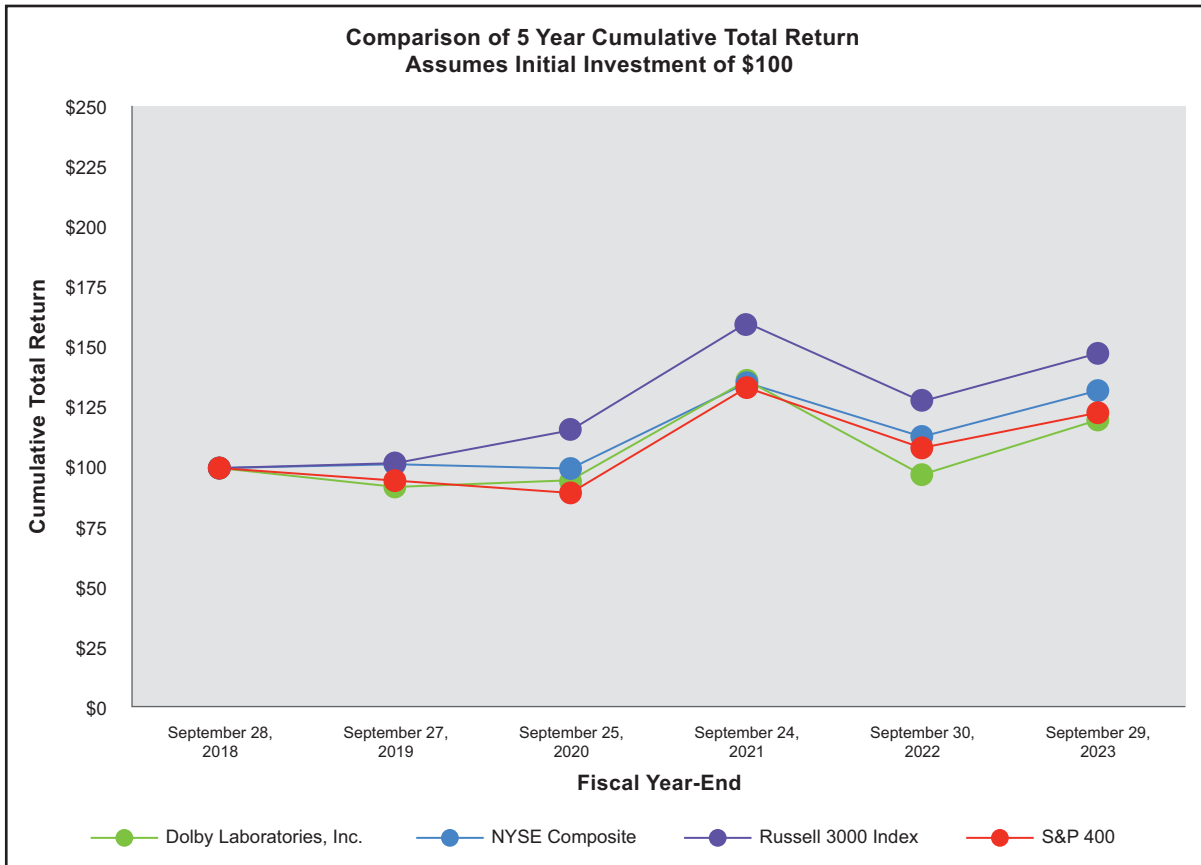
(1) Average price paid per share excludes commission costs.

(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.

### Stock Price Performance Graph

The following graph compares the total cumulative return of our Class A common stock with the total cumulative return for the New York Stock Exchange Composite Index (“NYSE Composite”), the Russell 3000 Index (“Russell 3000”), and the S&P MidCap 400 Index (“S&P 400”) for the five fiscal years ended September 29, 2023. We have elected to replace the Russell 3000 with the S&P 400 because we believe the components of the S&P 400 represent more similar market capitalizations to our own and the S&P 400 will provide a more meaningful comparison of our stock performance going forward. For this transitional year, both the Russell 3000 and the S&P 400 are reflected in the following graph, but we do not expect to include the Russell 3000 in future years. The figures represented below assume an investment of \$100 in our Class A common stock at the closing price of \$69.97 on September 28, 2018, and in the NYSE Composite, Russell 3000, and S&P 400 on the same date and the reinvestment of dividends into shares of common stock. The comparisons in the table are required by the SEC and are not intended to forecast or be indicative of possible future performance of our Class A common stock. This graph shall not be deemed “filed” for purposes of Section 18 of Securities Exchange Act of 1934, as amended (“Exchange Act”) or otherwise subject to the liabilities under that

Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.



**ITEM 6. [RESERVED]**



## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ materially from those referred to herein due to a number of factors, including but not limited to key challenges listed below and risks described in Part I, Item 1A, “Risk Factors” and elsewhere in this Annual Report on Form 10-K. We disclaim any duty to update any of the forward-looking statements after the date of this Annual Report on Form 10-K 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](http://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.*

### **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 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 I, 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. We also seek to expand the reach of our technology by incorporating it into industry standards and offering licenses to our patents covering that technology, along with our partners, through patent pools. 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 entertainment playback. Our branded technologies are primarily comprised of DD+, Dolby Atmos, and AC-4 for audio, and Dolby Vision for imaging. Our audio technologies offered jointly through patent pools are incorporated into the AAC, HE-AAC, xHE-AAC, MPEG H and Opus standards for audio, and the AVC, HEVC, VVC and AV1 standards for imaging. Licensing revenue is primarily driven by the adoption of our technologies

on devices, the number of devices shipped by licensees, and by the expansion of the number of licensees adopting our technologies. 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. In the future, we expect revenue from our foundational audio technologies to generally reflect market trends in device shipments. The remaining portion of our licensing revenue is derived from offerings such as Dolby Vision, Dolby Atmos, our imaging patents, and Dolby Cinema. Dolby Vision and Dolby Atmos 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. Revenue from technologies licensed through our patent licensing model is driven primarily by our royalty share within patent pools, licensee penetration, device shipments, and the introduction of new standardized technologies and patent programs. Factors such as global supply constraints or device lifecycles may also impact licensing revenue generally. 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 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, Max, and Paramount+ continue to enhance content in Dolby Vision and Dolby Atmos. For example, in fiscal 2023, Max launched its top tier service with 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 enhanced a broad range of content, such as music, gaming, live sports, and user-generated content. In the current fiscal year:

- In music, the Belgian music festival Tomorrowland streamed its festival in Dolby Atmos, and released replay footage of the event on Apple Music in Dolby Atmos. 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. WYNK Music, a free music streaming service in India, has made Dolby Atmos Music available to India’s Airtel’s subscribers.
- In gaming, the popular mobile game PUBG Mobile was made available to play in Dolby Atmos globally.
- In sports, the 2022 FIFA World Cup was broadcast internationally by 12 global operators and three free-to-air terrestrial broadcasters in Dolby Vision and/or Dolby Atmos. The 2023 Indian Premier League cricket matches were available in Dolby Atmos through Disney Star and JioCinema. The 2023 French Open available for the very first time in Dolby Vision and Dolby Atmos via the streaming provider Molotov TV, and the 2023 Wimbledon Championships were broadcast in Dolby Atmos on Sky Germany. The 68th UEFA Champions League games were available in Dolby Atmos. The US Open Tennis Tournament was broadcast in the UK on Sky TV in Dolby Atmos. Comcast broadcast the Superbowl LVII in Dolby Vision, and is broadcasting ESPN’s college football game of the week in Dolby Vision and Dolby Atmos. Sky Germany began broadcasting the second Bundesliga in Dolby Atmos. Additionally, Max streamed its Major League Baseball games in Dolby Atmos.

- In user-generated content, Vivo launched its flagship mobile phone X90 Pro+ with Dolby Vision Capture and playback, further enabling the creation of user-generated content. Weibo, one of China's largest social media platforms, began supporting Dolby Vision and Dolby Atmos. Audiobooks on Audible now support Dolby Atmos. Moj, India's largest short video platform, now supports Dolby Vision, and Viddsee, a short film video platform in Singapore, now supports Dolby Vision and Dolby Atmos.

The following are highlights from our 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 I, 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, at CES in January 2023, LG announced its TV lineup that supports Dolby Vision and Dolby Atmos, and Hisense announced several new UHD TVs and Laser TVs that support Dolby Vision and Dolby Atmos. Additionally in fiscal 2023, TCL announced new QLED and Mini-LED TVs with Dolby Vision and Dolby Atmos, and that it is expanding the number of products in its lineup that support Dolby Vision and Dolby Atmos in India. We also recently announced that our new feature Dolby Atmos FlexConnect will be supported by TCL's 2024 TV lineup. Acer launched TVs with DD+, Dolby Vision and Dolby Atmos in India. Polytron, the largest TV OEM in Indonesia, launched TVs that support Dolby Vision and Dolby Atmos. Hoichoi, an Indian OTT, adopted Dolby Atmos and 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 or our technology is not included in future broadcast industry standards, our revenue could be negatively impacted. Changing trends in the way that video content is distributed and consumed may impact our business and future growth in the broadcast market, such as the trend away from subscription-based cable and satellite television providers toward streaming services. 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 fiscal 2023, OPPO launched the OnePlus 11, its first phone that supports Dolby Vision and Dolby Atmos. In addition, OPPO launched its first flagship phone with Dolby Vision Capture, and OnePlus launched its 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 year. Also in fiscal 2023, Vivo began shipping Dolby Vision Capture phones in China. Motorola became our latest partner to announce and start shipping its first Dolby Vision playback phone globally. Honor, a Chinese smart phone manufacturer, recently launched smart phones that support Dolby Vision playback.

*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 or our technology is not included in future mobile industry standards, 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. At CES in January 2023, LG and Samsung each announced 2023 soundbar lineups that support Dolby Atmos. Also in fiscal 2023, Sonos launched their premium smart speaker, the Sonos Era 300, with Dolby Atmos. Zebronic announced a new soundbar that supports Dolby Atmos to be sold in India. Jabra launched headphone products that support Dolby Atmos. XGIMI announced the 4K long throw home projector with Dolby Vision.

*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. In fiscal 2023, Tencent's streaming music platform QQ Music launched Dolby Atmos support in Mac operating systems. Also in fiscal 2023, Microsoft launched its latest tablets that support Dolby Vision and Dolby Atmos.

*Key Challenges:* 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. In fiscal 2023, Sony Interactive Entertainment announced that PlayStation 5 is unlocking support for compatible Dolby Atmos-enabled living room devices with the latest PS5 system software beta, available to beta participants in select markets. Sony Interactive Entertainment also announced support for Dolby Atmos on the PS5.

We also generate revenue from the automotive industry through disc playback devices as well as other elements of the entertainment system, and through the adoption of Dolby Atmos Music. In fiscal 2023, Mercedes-Benz adopted Dolby Atmos and Dolby Atmos Music in several of its car models, and continues to add our technologies to more models and ship more models globally. Also in fiscal 2023, Chinese electric car manufacturer Li Auto and NetEase Cloud Music announced a collaboration to deliver Dolby Atmos Music in Li Auto cars. Additionally, Guangzhou Automobile Group, a large Chinese auto manufacturer, announced the launch of a new sport sedan that features Dolby Atmos, and NIO and Lotus launched cars that support Dolby Atmos beyond the domestic Chinese market into Europe as well. Yangwang announced its first car, the Yangwang U8 model, supporting Dolby Atmos, our fifth automotive OEM this year.

*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.

Included within Other Markets is also licensing revenue from audio and imaging technologies used to create Dolby experiences through Dolby Cinema.

### ***Dolby Cinema***

*Highlights:* We continue to expand our global presence for Dolby Cinema, with sites located in the U.S. and internationally. The breadth of motion pictures for Dolby Cinema continues to grow with over 500 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 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, 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 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. Additionally, the recently concluded strikes by the Writers Guild of America and SAG-AFTRA effectively halted the production, release and promotion of certain films for an extended period. The resulting impacts of those stoppages may result in near-term decreases in box office receipts and our cinema-related revenue.

### ***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 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 fiscal 2023, there are over 7,500 Dolby Atmos screens installed or committed and over 2,800 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. In addition, the recently concluded strikes by the Writers Guild of America and SAG-AFTRA effectively halted the production, release and promotion of certain films for an extended period. The resulting impacts of those stoppages may lead to decreased box office receipts in the near term, which could potentially impact exhibitors' willingness and ability to invest in our cinema products.

### ***Dolby.io***

**Highlights:** We are focused on bringing Dolby's decades of sight and sound technology to a broader range of media content and digital experiences. We are expanding our addressable market to enhance a broader range of content, by offering solutions to companies building real-time digital experiences that increase audience engagement. Our solution provides the capability to stream high quality audiovisual content in ultra-low latency which reduces the delay between the action and the viewer.

Content being delivered with almost no delay enables our customers to create real-time interaction in their apps and services. This lifelike interaction is essential to the experiences companies, particularly in sports and entertainment, are creating.

Over time, we believe this way of delivering and engaging with content will be used more broadly.

**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 adoption from companies building real-time digital experiences that increase audience engagement, the volume of usage of the services 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 real-time experiences has been growing, Dolby.io competes with other offerings.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements and accompanying notes are prepared in accordance with U.S. GAAP, pursuant to SEC rules and regulations. The preparation of these financial statements requires us to establish accounting policies and make certain estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses. The SEC considers an accounting policy and estimate to be critical if it is both important to a company's financial condition or results of operations and requires significant judgment by management in its application. On a regular basis, we evaluate our assumptions, judgments, and estimates, and historically, actual results have not differed significantly from them. If actual results or events differ materially from our judgments and estimates, our reported financial condition and results of operation for future periods could be materially affected. We have reviewed the selection and development of the critical accounting policies and estimates discussed below with the Audit Committee of our Board of Directors.

### *Revenue Recognition*

We derive our revenue primarily from the licensing of our technologies and patents. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates within the revenue recognition process. Generally, revenue is recognized upon transfer of control of promised products, services or IP rights to customers in an amount that reflects the consideration that we expect to receive in exchange for those products, services or licensing of the IP rights. The primary judgments include estimating sales-based revenue in advance of receiving statements from our licensees, estimating variable consideration, identifying the performance obligations in the contract, and determining whether the performance obligations are distinct, and allocating consideration accordingly.

Most of our licensing arrangements are structured as sales-based whereby we are paid a unit-based royalty. The unit-based sales data that triggers the royalty obligation is generally reported to us in the quarter after triggering the royalty obligation. We apply the royalty exception to these arrangements, which requires that we recognize sales-based royalties at the later of when the sales occur based on our estimates or the completion of our performance obligations. Our estimates of royalty-based revenue take into consideration the macroeconomic effect of global events, such as inflation, elevated interest rates, economic impacts related to COVID-19, or other economic conditions, which may impact supply chain activities as well as demand for shipments. These estimates also 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 for 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 previously estimated, we record a favorable or unfavorable adjustment based on the difference, if any, between estimated and actual sales.

We also enter into fixed and guaranteed licensing fees arrangements, which require the licensee to pay a fixed, non-refundable fee. In these cases, control is transferred and the transaction price - the amount we expect to be entitled to in exchange for the license right - is recognized upon the later of contract execution or the effective date. Transaction price is determined at contract execution and, to the extent variable consideration applies, is updated each subsequent reporting period until the completion of the contract. We evaluate whether other distinct performance obligations exist, such as PCS, and determine the stand-alone selling price. We do so by considering actual stand-alone sales in addition to 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. In addition, we evaluate whether a significant financing component exists when we recognize revenue in advance of customer payments that occur over time and extend beyond one year. In general, if the payment arrangements extend beyond the first year of the contract, we treat a portion of the payments as a financing component. The discount rate used for each arrangement reflects the rate that would be used in a separate financing transaction between us and the licensee at contract inception and takes into account

the credit characteristics of the licensee and market interest rates as of the date of the agreement. If we assess the financing component to be significant to the contract, the amount of fixed fee revenue recognized at the beginning of the license term will be reduced by the calculated financing component. The portion related to the financing component is recorded as interest income, and is not material to our consolidated financial statements.

For additional information, see Note 3 “Revenue Recognition” to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

## IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

For information on recent accounting standards that have not been adopted yet and the impact of these standards on our consolidated financial statements, refer to Note 2 “Summary of Significant Accounting Policies” to our consolidated financial statements in this Annual Report on Form 10-K.

## RESULTS OF OPERATIONS

For each line item included on our 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 consolidated financial statements for the years ended September 29, 2023 and September 30, 2022. For the discussion and analysis highlighting comparisons of material changes in the consolidated financial statements for the years ended September 30, 2022 and September 24, 2021, refer to Part II, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended September 30, 2022, which is incorporated herein by reference. 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. We also generate administrative fees for managing patent pools on behalf of third party patent owners through our subsidiary, Via LA. 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 Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
<b>Licensing</b>				
Revenue .....	\$1,197,930	\$1,164,533	\$33,397	3%
<i>Percentage of total revenue</i> .....	92%	93%		
Cost of licensing .....	64,890	61,597	3,293	5%
Gross margin .....	1,133,040	1,102,936	30,104	3%
<i>Gross margin percentage</i> .....	95%	95%		



Licensing Revenue By Market	Fiscal Year Ended			
	September 29, 2023		September 30, 2022	
Broadcast	\$ 451,719	38%	\$ 433,992	37%
Mobile	243,897	20%	238,735	21%
CE	170,197	14%	186,285	16%
PC	124,362	10%	151,079	13%
Other	207,755	18%	154,442	13%
<b>Total licensing revenue</b>	<b>\$1,197,930</b>	<b>100%</b>	<b>\$1,164,533</b>	<b>100%</b>

Factor	Licensing Revenue		Gross Margin	
Other	↑	<i>Higher revenue from imaging patent pool administrative fees, higher revenue due to gaming console shipments, higher automotive revenue driven by higher adoption of Dolby Atmos</i>	←→	<i>No significant fluctuations</i>
PC	↓	<i>Lower revenue driven by lower shipments and lower recoveries, primarily from foundational audio technologies, partially offset by higher revenue from our imaging patent programs</i>		
Broadcast	↑	<i>Higher revenue from our imaging patent programs, partially offset by lower unit shipments primarily in STBs, impacting revenue from foundational audio technologies</i>		
CE	↓	<i>Lower revenue from unit shipments in DMAs, and lower revenue due to timing of minimum volume commitments, primarily impacting revenue from foundational audio technologies, partially offset by higher revenue from our imaging patent programs</i>		
Mobile	↑	<i>Higher revenue from new licensees in our audio patent programs and increased adoption of Dolby Vision, partially offset by lower revenue from minimum volume commitments</i>		

### 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 Dolby.io. 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 Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
<b>Products and Services</b>				
Revenue	\$101,814	\$89,260	\$12,554	14%
<i>Percentage of total revenue</i>	8%	7%		
Cost of products and services	87,676	79,763	7,913	10%
Gross margin	14,138	9,497	4,641	49%
<i>Gross margin percentage</i>	14%	11%		

Factor	Products and Services Revenue		Gross Margin	
Products	↑	Increased demand for cinema equipment as the exhibitor market continues to recover	↑	Higher cinema product sales partially offset by excess and obsolescence reserve
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 Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
Research and development	\$271,523	\$261,174	\$10,349	4%
<i>Percentage of total revenue</i>	21%	21%		

Category	Key Drivers	
Compensation & Benefits	↑	Higher costs of \$6.8 million primarily due to higher variable compensation
Travel	↑	Higher costs of \$2.5 million due to increased company travel as a result of fewer COVID-19 travel restrictions, and increased in-person presence at certain events

### 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 Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
Sales and marketing	\$354,364	\$358,716	\$(4,352)	(1)%
<i>Percentage of total revenue</i>	27%	29%		

Category	Key Drivers	
Legal, Professional, and Contractors	↓	Lower costs of \$10.6 million primarily due to timing of patent program-related expenses
Marketing Programs	↑	Higher costs of \$8.3 million primarily due to increased marketing activities
Travel	↑	Higher costs of \$5.2 million due to increased travel as a result of fewer COVID-19 travel restrictions, and increased in-person presence at certain events
Compensation & Benefits	↓	Lower payroll salaries expense of \$4.7 million primarily due to lower headcount

### General and Administrative

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

	Fiscal Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
General and administrative .....	\$258,477	\$275,315	\$(16,838)	(6)%
Percentage of total revenue .....	20%	22%		

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 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.

Category	Key Drivers	
Other Miscellaneous Expenses	↓	Lower costs of \$34.4 million related to the resolution of the legal matter discussed above, in the prior year
Credit Loss Expense	↓	Lower credit loss expense of \$6.3 million primarily due to higher collections
Compensation & Benefits	↑	Higher costs of \$5.3 million primarily due to higher variable compensation, higher payroll salaries expense of \$4.3 million due to increased headcount due to the MPEG LA (as defined below) acquisition
Legal, Professional, and Contractors	↑	Higher costs of \$2.2 million primarily due to transaction costs resulting from the MPEG LA acquisition

### Restructuring Charges

Restructuring charges recorded as operating expenses in our consolidated statements of operations represent costs associated with separate 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 Year Ended		Change	
	September 29, 2023	September 30, 2022	\$	%
Restructuring charges .....	\$47,061	\$10,623	\$36,438	343%
Percentage of total revenue .....	4%	1%		

In June 2023, we implemented a focused restructuring plan, primarily consisting of workforce reductions and facility consolidations to improve execution in alignment with our strategy and to reduce our cost structure through improved utilization of our global infrastructure. As a result of these actions, we recorded restructuring charges of \$10.9 million in severance and other related benefits offered to approximately 130 impacted employees and \$6.9 million related to facility consolidation in New York, NY.

In September 2023, we initiated a focused restructuring plan with the purpose of focusing our resources on our highest strategic priorities. We recorded expense of \$13.4 million in severance and other related benefits offered to approximately 160 impacted employees. The remaining components of this plan are expected to be completed in November 2023, resulting in an additional charge of approximately \$5.0 million in severance and other termination benefits. In conjunction with focusing our resources on our top strategic priorities, we recorded an impairment loss of \$16.9 million related primarily to internally developed software for projects we are no longer pursuing.

For additional information on our Restructuring programs, see Note 13 “*Restructuring*” to our 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.

<u>Other income/(expense)</u>	<u>Fiscal Year Ended</u>		<u>Change</u>	
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>\$</u>	<u>%</u>
Interest income .....	\$28,086	\$6,174	\$21,912	355%
Other income, net .....	6,214	2,500	3,714	149%
<b>Total</b> .....	<b><u>\$34,300</u></b>	<b><u>\$8,674</u></b>	<b><u>\$25,626</u></b>	<b><u>295%</u></b>

<b>Category</b>	<b>Key Drivers</b>	
Interest Income	↑	<i>Higher yields on current year investment balances due to increased interest rates</i>
Other Income	↑	<i>Higher income primarily due to higher yields on our SERP balances in the current year, and higher foreign currency transaction gains</i>

#### *Income Taxes*

Our effective tax rate is based on our fiscal year results and is affected by several factors. These include the current statutory rates in our domestic and foreign jurisdictions, the relative income earned in our foreign jurisdictions, and nonrecurring 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 consolidated financial statements.

	<u>Fiscal Year Ended</u>	
	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Provision for income taxes .....	\$(48,409)	\$(31,381)
<i>Effective tax rate</i> .....	<i>19%</i>	<i>15%</i>

Factor	Impact On Effective Tax Rate	
Stock-based Compensation	↑	Lower benefit related to the settlement of stock-based awards.
Research and Development	↑	Lower benefit from R&D tax credits.

## 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 September 29, 2023, we had cash and cash equivalents of \$745.4 million, which consisted of cash and highly liquid money market funds. In addition, we had short and long-term investments of \$237.0 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 September 29, 2023 and September 30, 2022 (in thousands):

	September 29, 2023	September 30, 2022
Cash and cash equivalents	\$ 745,364	\$ 620,127
Short-term investments	139,148	189,213
Long-term investments	97,812	102,514
Accounts receivable, net	262,245	243,593
Accounts payable and accrued liabilities	372,324	244,408
Working capital	1,065,578	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 I, 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 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. For fiscal 2023, quarterly dividends of \$0.27 per share were 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 consolidated statements 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 Ended	
	September 29, 2023	September 30, 2022
Net cash provided by operating activities .....	\$367,081	\$318,576

Net cash provided by operating activities increased \$48.5 million in fiscal 2023 compared to fiscal 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Operating assets and liabilities	↑	<i>Higher inflows due to lower accounts receivable and higher operating lease liabilities, partially offset by lower accounts payable and accrued liabilities and lower income taxes</i>

#### Investing Activities

	Fiscal Year Ended	
	September 29, 2023	September 30, 2022
Net cash provided by/(used in) investing activities .....	\$54,206	\$(295,935)

Net cash provided by/(used in) investing activities was \$350.1 million higher in fiscal 2023 compared to fiscal 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Purchase of Investments	↑	<i>Lower outflows for the purchase of marketable investment securities</i>
Proceeds from Investments	↑	<i>Higher inflows from the sale and maturity of marketable investment securities</i>
Business Combinations	↑	<i>Inflows due to restricted cash balances acquired in connection with the MPEG LA acquisition</i>

#### Financing Activities

	Fiscal Year Ended	
	September 29, 2023	September 30, 2022
Net cash used in financing activities .....	\$(236,812)	\$(610,558)

Net cash used in financing activities was \$373.7 million lower in fiscal 2023 compared to fiscal 2022, primarily due to the following:

Factor	Impact On Cash Flows	
Share Repurchases	↑	Lower outflows due to lower common stock repurchases
Common Stock Issuance	↓	Lower inflows from employee stock option exercises

### ***Contractual Obligations and Commitments***

The following table presents a summary of our contractual obligations and commitments as of September 29, 2023 (in thousands):

	Payments Due By Fiscal Period				Total
	1 Year	2 - 3 Years	4 - 5 Years	More Than 5 Years	
Naming rights	\$12,794	\$26,598	\$17,176	\$35,674	\$ 92,242
Purchase obligations	29,934	4,667	—	—	34,601
Donation commitments	1,718	232	172	332	2,454
<b>Total</b>	<b>\$44,446</b>	<b>\$31,497</b>	<b>\$17,348</b>	<b>\$36,006</b>	<b>\$129,297</b>

***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 the agreement is 20 years, over which we will make payments on a semi-annual basis until fiscal 2032. We also hold the naming rights to Dolby Live at the Park MGM in Las Vegas, Nevada. Dolby Live is a fully integrated performance venue offering live concerts in Dolby Atmos. For additional details regarding our naming rights commitments, see Note 14 “*Commitments and Contingencies*” to our consolidated financial statements.

***Operating Leases.*** Operating lease payments represent our commitments for future minimum rent made under non-cancelable leases for office space, including those payable to our principal stockholder and portions attributable to the noncontrolling interests in our wholly-owned and majority-owned subsidiaries. For additional details regarding our leases, see Note 7 “*Leases*” to our consolidated financial statements.

***Purchase Obligations.*** Purchase obligations primarily consist of our non-cancelable 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. For additional details regarding our donation commitments, see Note 14 “*Commitments and Contingencies*” to our consolidated financial statements.

***Unrecognized Tax Benefits.*** As of September 29, 2023, we had an accrued liability for unrecognized tax benefits without interest, penalties, and related deferred tax assets, totaling \$76.3 million. We are unable to estimate when any cash settlement with a taxing authority might occur and, therefore, have not reflected these anticipated future outflows in the table above.

### *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 14 “*Commitments and Contingencies*” to our consolidated financial statements.

In fiscal 2023, there have been no material changes in either our off-balance sheet financing arrangements or contractual obligations outside the ordinary course of business, and 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.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### *Interest Rate Sensitivity*

As of September 29, 2023, we had cash and cash equivalents of \$745.4 million, which consisted of cash and highly liquid money market funds. In addition, we had both short and long-term investments of \$237.0 million, which consisted of corporate bonds, government bonds, municipal debt securities, U.S. agency securities, commercial paper, and certificates of deposit. 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 September 29, 2023, the weighted-average credit quality of our investment portfolio was AA-, with a weighted-average maturity of approximately eleven 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 September 29, 2023, hypothetical changes in interest rates of 1% and 0.5% would have an impact on the carrying value of our portfolio of approximately \$1.8 million and \$0.9 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 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 consolidated statements of operations as the impact of the hedge transaction, concurrently with the hedged costs.

The pre-tax gain attributed to the effective portion of cash flow hedges recognized in AOCI was \$4.9 million in fiscal 2023. The pre-tax loss attributed to the effective portion of cash flow hedges recognized in AOCI was \$2.6 million in fiscal 2022.

The pre-tax effective portion of the losses reclassified to the consolidated statements of operations was \$0.7 million in fiscal 2023, and the pre-tax effective portion of the loss reclassified to the consolidated statements of operations was \$2.1 million in fiscal 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 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 consolidated statements of operations.

As of September 29, 2023, the outstanding derivative instruments had maturities of equal to or less than 12 months. As of September 29, 2023 and September 30, 2022, the total notional amounts of outstanding contracts were \$134.8 million and \$130.8 million, respectively.

For additional information related to our foreign currency forward contracts, see Note 2 “*Summary of Significant Accounting Policies*” to our consolidated financial statements.

A sensitivity analysis was performed on all of our foreign currency forward contracts as of September 29, 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 \$7.0 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 \$7.0 million.

**ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS**  
**DOLBY LABORATORIES, INC.**  
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## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Dolby Laboratories, Inc.:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Dolby Laboratories, Inc. and subsidiaries (the Company) as of September 29, 2023 and September 30, 2022, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 29, 2023, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 29, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 29, 2023 and September 30, 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended September 29, 2023, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 29, 2023 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company acquired MPEG LA, L.L.C. during fiscal 2023. Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of September 29, 2023, MPEG LA, L.L.C.'s internal control over financial reporting which represented 12% of total assets and less than 1.5% of total revenue included in the consolidated financial statements of the Company as of and for the year ended September 29, 2023. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of MPEG LA, L.L.C..

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material

weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

#### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Assessment of revenue estimate related to sales-based licensing arrangements*

As discussed in Note 3 to the consolidated financial statements, revenue is derived principally from the licensing of technologies and patents to various types of licensees. The Company recognized total licensing revenue of \$1.2 billion for the year ended September 29, 2023. The Company estimates and records sales-based licensing revenue from its licensees' shipments in the same period in which those shipments occur. After receiving the royalty statements from the licensees, which is generally in the quarter after those shipments have occurred, the Company will record an adjustment based on the difference between the estimated and actual sales-based licensing revenue.

We identified the assessment of the revenue estimates related to the Company's sales-based licensing arrangements as a critical audit matter. Auditor judgement was required to evaluate the Company's estimation of sales-based licensing revenue, which included the use of historical data, industry estimates of expected shipments, market penetration, and average sales prices.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's sales-based licensing revenue estimation process. This included controls related to the review of (1) historical data, (2) third-party industry expectations for shipments of units, (3) the estimated percentage of market penetration, and (4) estimated average sales prices. We tested the Company's process to develop the sales-based licensing revenue

estimate. Specifically, we evaluated the sources of the historical data and assumptions that the Company used by considering their relevance and reliability. We performed sensitivity analyses over certain assumptions to assess the impact on the sales-based licensing revenue estimate of reasonably possible changes to the assumptions. In addition, we compared the Company's historical sales-based licensing revenue estimates to actual sales-based licensing royalties received from licensees during the year, to assess the Company's ability to accurately estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

San Francisco, California  
November 16, 2023

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

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 745,364	\$ 620,127
Restricted cash .....	72,602	8,244
Short-term investments .....	139,148	189,213
Accounts receivable, net of allowance for credit losses of \$9,683 and \$11,834 .....	262,245	243,593
Contract assets, net of allowance for credit losses of \$138 and \$125 .....	182,130	176,093
Inventories, net .....	35,623	23,549
Prepaid expenses and other current assets .....	50,692	50,075
Total current assets .....	<u>1,487,804</u>	<u>1,310,894</u>
Long-term investments .....	97,812	102,514
Property, plant, and equipment, net .....	481,581	513,481
Operating lease right-of-use assets .....	40,199	46,530
Intangible assets, net .....	167,427	112,265
Goodwill .....	408,409	365,147
Deferred taxes .....	201,860	183,568
Other non-current assets .....	94,674	55,149
<b>Total assets .....</b>	<b><u>\$2,979,766</u></b>	<b><u>\$2,689,548</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 20,925	\$ 14,171
Accrued liabilities .....	351,399	230,237
Income taxes payable .....	4,769	1,265
Contract liabilities .....	31,505	18,588
Operating lease liabilities .....	13,628	13,257
Total current liabilities .....	<u>422,226</u>	<u>277,518</u>
Non-current contract liabilities .....	39,997	23,203
Non-current operating lease liabilities .....	37,020	37,685
Other non-current liabilities .....	108,339	100,122
Total liabilities .....	<u>607,582</u>	<u>438,528</u>
Stockholders' equity:		
Class A, \$0.001 par value, one vote per share, 500,000,000 shares authorized: 59,673,633 shares issued and outstanding as of September 29, 2023 and 59,798,862 as of September 30, 2022 .....	53	53
Class B, \$0.001 par value, ten votes per share, 500,000,000 shares authorized: 36,085,779 shares issued and outstanding as of September 29, 2023 and 36,085,779 as of September 30, 2022 .....	41	41
Retained earnings .....	2,391,990	2,297,730
Accumulated other comprehensive loss .....	(36,984)	(51,641)
Total stockholders' equity – Dolby Laboratories, Inc. ....	<u>2,355,100</u>	<u>2,246,183</u>
Noncontrolling interest .....	17,084	4,837
Total stockholders' equity .....	<u>2,372,184</u>	<u>2,251,020</u>
<b>Total liabilities and stockholders' equity .....</b>	<b><u>\$2,979,766</u></b>	<b><u>\$2,689,548</u></b>

*See accompanying notes to consolidated financial statements*

**DOLBY LABORATORIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

*(in thousands, except per share amounts)*

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Revenue:</b>			
Licensing .....	\$1,197,930	\$1,164,533	\$1,214,147
Products and services .....	101,814	89,260	67,109
Total revenue .....	1,299,744	1,253,793	1,281,256
<b>Cost of revenue:</b>			
Cost of licensing .....	64,890	61,597	55,421
Cost of products and services .....	87,676	79,763	74,604
Total cost of revenue .....	152,566	141,360	130,025
<b>Gross margin</b> .....	1,147,178	1,112,433	1,151,231
<b>Operating expenses:</b>			
Research and development .....	271,523	261,174	253,640
Sales and marketing .....	354,364	358,716	332,671
General and administrative .....	258,477	275,315	224,161
Gain on sale of assets .....	—	—	(13,871)
Restructuring charges .....	47,061	10,623	10,240
Total operating expenses .....	931,425	905,828	806,841
<b>Operating income</b> .....	215,753	206,605	344,390
<b>Other income/(expense):</b>			
Interest income/(expense), net .....	28,086	6,174	3,014
Other income, net .....	6,214	2,500	7,108
Total other income .....	34,300	8,674	10,122
Income before income taxes .....	250,053	215,279	354,512
Provision for income taxes .....	(48,409)	(31,381)	(36,689)
Net income including noncontrolling interest .....	201,644	183,898	317,823
Less: net (income)/loss attributable to noncontrolling interest ..	(988)	189	(7,596)
<b>Net income attributable to Dolby Laboratories, Inc.</b> .....	<b>\$ 200,656</b>	<b>\$ 184,087</b>	<b>\$ 310,227</b>
Net income per share:			
Basic .....	\$ 2.10	\$ 1.84	\$ 3.07
Diluted .....	\$ 2.05	\$ 1.81	\$ 2.97
Weighted-average shares outstanding:			
Basic .....	95,771	99,990	101,190
Diluted .....	97,733	101,983	104,622
Related party rent expense:			
Included in operating expenses .....	\$ —	\$ —	\$ (392)
Included in net income attributable to noncontrolling interest ...	\$ 292	\$ 284	\$ 381
Cash dividend declared per common share .....	\$ 1.11	\$ 1.02	\$ 0.91
Cash dividend paid per common share .....	\$ 1.08	\$ 1.00	\$ 0.88

*See accompanying notes to consolidated financial statements*

**DOLBY LABORATORIES, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(in thousands)*

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Net income including noncontrolling interest .....	\$201,644	\$183,898	\$317,823
Other comprehensive income:			
Currency translation adjustments gains/(losses), net of tax benefit/ (expense) of \$73, (\$245), and (\$501) .....	7,574	(31,586)	5,510
Unrealized gains/(losses) on investments, net of tax benefit of \$54, \$50, and \$108 .....	3,128	(6,206)	(598)
Unrealized gains/(losses) on cash flow hedges, net of tax benefit/ (expense) of \$85, \$324, and (\$419) .....	4,286	(4,361)	(4,091)
Total other comprehensive income/(loss), net of tax .....	14,988	(42,153)	821
Total comprehensive income .....	216,632	141,745	318,644
Less: comprehensive (income)/loss attributable to noncontrolling interest .....	(1,319)	731	(7,853)
<b>Comprehensive income attributable to Dolby Laboratories, Inc. ....</b>	<b>\$215,313</b>	<b>\$142,476</b>	<b>\$310,791</b>

*See accompanying notes to consolidated financial statements*



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

Dolby Laboratories, Inc.										
	Class A		Class B		APIC	Retained Earnings	AOCI	Total Stockholders' Equity	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount						
<b>Balance as of September 25, 2020</b>	<b>64,168</b>	<b>\$ 58</b>	<b>36,129</b>	<b>\$ 41</b>	<b>\$ —</b>	<b>\$2,443,138</b>	<b>\$(10,594)</b>	<b>\$2,432,643</b>	<b>\$ 5,762</b>	<b>\$2,438,405</b>
Net income	—	—	—	—	—	310,227	—	310,227	7,596	317,823
Other comprehensive income, net of tax	—	—	—	—	—	—	564	564	257	821
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(7,362)	(7,362)
Stock-based compensation expense	—	—	—	—	99,698	—	—	99,698	—	99,698
Repurchase of common stock	(2,584)	(3)	—	—	(189,577)	(56,284)	—	(245,864)	—	(245,864)
Cash dividends declared and paid on common stock	—	—	—	—	—	(89,172)	—	(89,172)	—	(89,172)
Common stock issued under employee stock plans	3,714	4	—	—	122,084	—	—	122,088	—	122,088
Tax withholdings on vesting of restricted stock	(354)	—	—	—	(32,205)	—	—	(32,205)	—	(32,205)
Common stock transfers—Class B to Class A	42	—	(42)	—	—	—	—	—	—	—
<b>Balance as of September 24, 2021</b>	<b>64,986</b>	<b>59</b>	<b>36,087</b>	<b>41</b>	<b>—</b>	<b>2,607,909</b>	<b>(10,030)</b>	<b>2,597,979</b>	<b>6,253</b>	<b>2,604,232</b>
Net income	—	—	—	—	—	184,087	—	184,087	(189)	183,898
Other comprehensive loss, net of tax	—	—	—	—	—	—	(41,611)	(41,611)	(542)	(42,153)
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(1,435)	(1,435)
Stock-based compensation expense	—	—	—	—	114,925	—	—	114,925	—	114,925
Capitalized stock-based compensation expense	—	—	—	—	746	—	—	746	—	746
Repurchase of common stock	(7,003)	(7)	—	—	(137,100)	(393,379)	—	(530,486)	—	(530,486)
Cash dividends declared and paid on common stock	—	—	—	—	—	(100,067)	—	(100,067)	—	(100,067)
Common stock issued under employee stock plans	2,224	2	—	—	57,846	—	—	57,848	—	57,848
Tax withholdings on vesting of restricted stock	(409)	(1)	—	—	(36,417)	—	—	(36,418)	—	(36,418)
Common stock transfers—Class B to Class A	1	—	(1)	—	—	—	—	—	—	—
Deconsolidation of subsidiary	—	—	—	—	—	(820)	—	(820)	750	(70)
<b>Balance as of September 30, 2022</b>	<b>59,799</b>	<b>53</b>	<b>36,086</b>	<b>41</b>	<b>—</b>	<b>2,297,730</b>	<b>(51,641)</b>	<b>2,246,183</b>	<b>4,837</b>	<b>2,251,020</b>
Net income	—	—	—	—	—	200,656	—	200,656	988	201,644
Other comprehensive income, net of tax	—	—	—	—	—	—	14,657	14,657	331	14,988
Distributions to noncontrolling interest	—	—	—	—	—	—	—	—	(266)	(266)
Stock-based compensation expense	—	—	—	—	118,486	—	—	118,486	—	118,486
Capitalized stock-based compensation expense	—	—	—	—	1,160	—	—	1,160	—	1,160
Repurchase of common stock	(1,892)	(2)	—	—	(146,285)	(2,989)	—	(149,276)	—	(149,276)
Cash dividends declared and paid on common stock	—	—	—	—	—	(103,407)	—	(103,407)	—	(103,407)
Common stock issued under employee stock plans	2,189	2	—	—	47,779	—	—	47,781	—	47,781
Tax withholdings on vesting of restricted stock	(422)	—	—	—	(31,144)	—	—	(31,144)	—	(31,144)
Equity issued in connection with business combination	—	—	—	—	10,004	—	—	10,004	11,194	21,198
<b>Balance as of September 29, 2023</b>	<b>59,674</b>	<b>\$ 53</b>	<b>36,086</b>	<b>\$ 41</b>	<b>\$ —</b>	<b>\$2,391,990</b>	<b>\$(36,984)</b>	<b>\$2,355,100</b>	<b>\$17,084</b>	<b>\$2,372,184</b>

*See accompanying notes to consolidated financial statements*

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

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Operating activities:</b>			
Net income including noncontrolling interest	\$ 201,644	\$ 183,898	\$ 317,823
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	82,558	88,461	95,860
Stock-based compensation	118,486	114,925	99,698
Amortization of operating lease right-of-use assets	12,956	15,148	16,897
Amortization of premium on investments	(860)	1,440	1,373
Provision for/(benefit from) credit losses	(793)	5,460	(2,889)
Deferred income taxes	(18,337)	(29,465)	(37,048)
Impairment loss on internally developed software	16,225	—	—
Gain on sale of assets	—	—	(13,871)
Other non-cash items affecting net income	(2,800)	(5,037)	(5,452)
Changes in operating assets and liabilities:			
Accounts receivable, net	47,779	(14,314)	(49,034)
Contract assets, net	347	6,300	(21,154)
Inventories	(13,226)	(11,759)	17,154
Operating lease right-of-use assets	(8,817)	266	(5,199)
Prepaid expenses and other assets	3,868	8,760	17,165
Accounts payable and accrued liabilities	(52,315)	(33,542)	44,230
Income taxes, net	(8,722)	8,446	(2,975)
Contract liabilities	(8,379)	(413)	2,361
Operating lease liabilities	(5,818)	(15,399)	(11,369)
Other non-current liabilities	3,285	(4,599)	(15,817)
Net cash provided by operating activities	<u>367,081</u>	<u>318,576</u>	<u>447,753</u>
<b>Investing activities:</b>			
Purchases of marketable securities	(172,955)	(311,313)	(67,101)
Proceeds from sales of marketable securities	54,964	9,459	10,892
Proceeds from maturities of marketable securities	176,833	108,546	53,893
Purchases of property, plant, and equipment	(30,339)	(47,928)	(54,454)
Proceeds from sale of assets	—	—	16,365
Business combinations, net of cash and restricted cash acquired	25,703	(38,171)	(4,500)
Purchases of intangible assets	—	(11,528)	—
Purchases of other investments	—	(5,000)	—
Net cash provided by/(used in) investing activities	<u>54,206</u>	<u>(295,935)</u>	<u>(44,905)</u>
<b>Financing activities:</b>			
Proceeds from issuance of common stock	47,781	57,848	122,088
Repurchase of common stock	(149,276)	(530,486)	(245,864)
Payment of cash dividend	(103,407)	(100,067)	(89,172)
Distribution to noncontrolling interest	(266)	(1,435)	(7,362)
Shares repurchased for tax withholdings on vesting of restricted stock	(31,144)	(36,418)	(32,205)
Payment of deferred consideration for prior business combinations	(500)	—	—
Net cash used in financing activities	<u>(236,812)</u>	<u>(610,558)</u>	<u>(252,515)</u>
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted	5,120	(16,744)	2,720
Net increase/(decrease) in cash, cash equivalents, and restricted cash	189,595	(604,661)	153,053
Cash, cash equivalents, and restricted cash at beginning of period	628,371	1,233,032	1,079,979
Cash, cash equivalents, and restricted cash at end of period	<u><b>\$ 817,966</b></u>	<u><b>\$ 628,371</b></u>	<u><b>\$1,233,032</b></u>
<b>Supplemental disclosure:</b>			
Cash paid for income taxes, net of refunds received	\$ 61,481	\$ 40,340	\$ 70,737
<b>Non-cash investing and financing activities:</b>			
Change in property, plant, and equipment purchased, unpaid at period-end	\$ 3,882	\$ (1,481)	\$ 2,772
Equity issued in connection with business combination	21,198	—	—
Purchase consideration payable for business combinations	—	—	500
Purchase consideration payable for intangible assets	—	—	30

*See accompanying notes to consolidated financial statements*

**DOLBY LABORATORIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

*Principles of Consolidation*

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

*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 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 years presented herein include the 52 week period ended September 29, 2023 (fiscal 2023) and September 24, 2021 (fiscal 2021), and the 53 week period ended September 30, 2022 (fiscal 2022). Our fiscal year ending September 27, 2024 (fiscal 2024) will consist of 52 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, restricted cash, 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.

In fiscal 2023 and 2021, we did not have any individual customers that accounted for 10% of our total revenue. For fiscal 2022, we had one individual customer whose revenue exceeded 10% of our total revenue.

### ***Cash and Cash Equivalents***

We consider all short-term highly liquid investments with original maturities of 90 days or less from the date of purchase to be cash equivalents. Cash and cash equivalents primarily consist of funds held in general checking accounts, money market accounts, and U.S. agency securities.

### ***Restricted Cash***

Restricted cash on our consolidated balance sheets consists of royalties payable to third-party licensors through certain Via LA-administered patent pools. Restricted cash also consists of cash contributed by Dolby and third-party licensors to Via LA, our subsidiary, that may only be used for licensor enforcement actions or licensee compliance activities related to certain Via LA-administered patent pools, as well as to disperse costs associated with any audit of Via LA for the Wideband Code Division Multiple Access (W-CDMA) patent pool.

### ***Investments***

All of our investments are classified as AFS, with the exception of our mutual fund investments held in our SERP, which are classified as trading securities, and our equity securities. Investments that have an original maturity of 91 days or more at the date of purchase and a current maturity of less than one year are classified as short-term investments, while investments with a current maturity of more than one year are classified as long-term investments. Our AFS securities and trading securities are recorded at fair value in our consolidated balance sheets. Unrealized gains and losses on our AFS securities are reported as a component of AOCI, while realized gains and losses and credit losses are reported as a component of net income. Upon sale, gains and losses are reclassified from AOCI into earnings, and are determined based on specific identification of securities sold.

We evaluate our investment portfolio for impairment by comparing the fair value with the cost basis for each of our investment securities. If the fair value of our AFS securities is less than amortized cost, such securities are considered impaired. If we have the intent to sell the debt security, or if it is more likely than not that we will be required to sell the debt security before recovery of its amortized cost, the difference between the amortized cost (net of allowance, if any) and the fair value of the securities is reported as an impairment loss in net income. Impaired AFS securities that we intend to hold are evaluated to determine whether we need to recognize an allowance for credit losses, limited to the difference between the fair value and amortized cost of the security.

### ***Equity Securities***

Equity securities for which we possess the ability to exercise significant influence, but not control, over operating and financing decisions are accounted for under the equity method. In applying the equity method, we record the investment at cost and subsequently increase or decrease the carrying amount of the investment by our proportionate share of the investee's net earnings or losses. We record dividends or other equity distributions as

reductions in the carrying value of the investment. Our share of the equity method investee’s net income or loss is included in other income/(expense), net in the consolidated statements of operations, and was \$5.1 million, \$5.0 million, and \$4.7 million in fiscal 2023, fiscal 2022 and fiscal 2021, respectively. Our equity method investment is included within long-term investments in our consolidated balance sheets.

We also hold an investment in an equity security of a privately-held company without a readily determinable fair value. We elected to account for this investment using the measurement alternative, which is cost, less any impairment, adjusted for changes in fair value resulting from observable transactions for identical or similar investments of the same issuer. We perform a qualitative assessment at each reporting date to determine whether there are triggering events for impairment. This equity security is included within long-term investments in our consolidated balance sheets.

***Allowance for Credit Losses***

We maintain a provision for estimated credit losses on receivables resulting from our customers’ inability to make required payments. In determining the provision, we pool receivables with similar risk characteristics to evaluate the collectability of our receivables. Risk characteristics considered in creating these risk pools include assessing historical or expected loss patterns, credit ratings, current macroeconomic conditions that could impact collectability of cash flows, and structure of customer agreements. In cases where circumstances have changed such that specific customers no longer share similar risk characteristics, customers are excluded from their current pool and their risk profiles are evaluated separately. We recognize allowances for credit losses based on our actual historical loss information, the current business environment, and reasonable and supportable forecasts. Actual future losses from uncollectible accounts may differ from our estimates.

***Inventories***

Inventories are accounted for using the first-in, first-out method, and are valued at the lower of cost and net realizable value. We evaluate our ending inventories for estimated excess quantities and obsolescence. Our evaluation includes the analysis of future sales demand by product within specific time horizons. Inventories in excess of projected future demand are written down to their net realizable value. In addition, we assess the impact of changing technology on our inventory balances and write-off inventories that are considered obsolete. Write-downs and write-offs of inventory are recorded as a cost of products in our consolidated statements of operations. We classify inventory that we do not expect to sell within twelve months as other non-current assets in our consolidated balance sheets.

***Property, Plant, and Equipment***

PP&E is stated at cost less accumulated depreciation. Depreciation expense is recognized on a straight-line basis according to estimated useful lives assigned to each of our different categories of PP&E as summarized within the following table:

<b>PP&amp;E Category</b>	<b>Useful Life</b>
Computer equipment and software . . . . .	3 to 5 years
Machinery and equipment . . . . .	3 to 8 years
Furniture and fixtures . . . . .	5 to 8 years
Leasehold improvements . . . . .	Lesser of useful life or related lease term
Equipment provided under operating leases . . . . .	15 years
Buildings and building improvements . . . . .	20 to 40 years

We may encounter scenarios where assets we acquire may deviate from the established standard useful life provided above. Such occurrences are evaluated on a case by case basis, and are assigned a useful life commensurate with the facts and circumstances associated with the specific PP&E being acquired. We capitalize

certain costs incurred during the construction phase of a project or asset into construction-in-progress until the construction process is complete. Once the related asset is placed into service, we transfer its carrying value into the appropriate fixed asset category and begin depreciating the value over its useful life.

*Equipment Provided Under Operating Leases.* In arrangements that we assess as operating leases, we recognize our equipment installed at third-party sites as PP&E and depreciate the asset on a straight-line basis.

*Internal Use Software.* We capitalize qualifying internal-use software development costs, consisting primarily of external and internal labor, including stock based compensation, incurred during the application development stage. Costs incurred during the preliminary project and post-implementation stages are charged to expense. Capitalized costs are included in PP&E, net of accumulated amortization in our consolidated balance sheets. Our capitalized internal use software costs are amortized on a straight-line basis over estimated useful lives of three years, unless another systematic and rational basis is more representative of the software's useful life.

### ***Goodwill, Intangible Assets, and Long-Lived Assets***

We perform an assessment of goodwill for potential impairment annually during our third fiscal quarter or more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. For our annual goodwill test as of the fiscal quarter ended June 30, 2023, a qualitative assessment was performed and we concluded that it was more likely than not that its fair value was in excess of its carrying amount. Accordingly, no quantitative assessment was performed and no impairment was recorded. We did not incur any goodwill impairment losses in any of the periods presented.

Intangible assets are stated at their original cost less accumulated amortization, and those with definite lives are amortized over their estimated useful lives. Our intangible assets principally consist of acquired technology, patents, trademarks, customer relationships and contracts, the majority of which are amortized on a straight-line basis over their useful lives using a range from three to eighteen years.

We review long-lived assets, including intangible assets, for impairment whenever events or a change in circumstances indicate an asset or asset group's carrying value may not be recoverable. Recoverability of an asset or asset group is measured by comparing its carrying amount to the total future undiscounted cash flows that it is expected to generate. If it is determined that an asset or asset group is not recoverable, an impairment loss is recorded in the amount by which the carrying amount exceeds its estimated fair value.

### ***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.

For additional financial information and a summary of our accounting policy, refer to Note 3. "*Revenue Recognition*" to our consolidated financial statements.

### ***Cost of Revenue***

*Cost of licensing.* Cost of licensing primarily consists of amortization expenses associated with purchased intangible assets and intangible assets acquired in business combinations. Cost of licensing also includes IP royalty obligations to third parties, depreciation of our Dolby Cinema equipment provided under operating leases in collaborative arrangements, and direct fees incurred.

*Cost of products and services.* Cost of products primarily consists of the cost of materials related to products sold, applied labor, and manufacturing overhead. Our cost of products also includes third party royalty

obligations paid to license IP that we include in our products. Cost of services primarily consists of the personnel and personnel- related costs of employees performing our professional services, and those of outside consultants, and reimbursable expenses incurred on behalf of customers.

### ***Stock-Based Compensation***

We measure expenses associated with all employee stock-based compensation awards using a fair-value method and record such expense in our consolidated financial statements on a straight-line basis over the requisite service period.

### ***Advertising and Promotional Costs***

Advertising and promotional costs are charged primarily to S&M expense as incurred. Our advertising and promotional costs were as follows (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>September 29, 2023</b>	<b>September 30, 2022</b>	<b>September 24, 2021</b>
Advertising and promotional costs . . . . .	\$59,821	\$51,422	\$52,253

### ***Foreign Currency Activities***

*Foreign Currency Translation.* We maintain business operations in foreign countries. We translate the assets and liabilities of our international subsidiaries, the majority of which are denominated in non-U.S. dollar functional currencies, into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses of these subsidiaries are translated using the average rates for the period. Gains and losses from these translations are included in AOCI within stockholders' equity.

*Foreign Currency Transactions.* Certain of our foreign subsidiaries transact in currencies other than their functional currency. Therefore, we re-measure non-functional currency assets and liabilities of these subsidiaries using exchange rates at the end of each period. As a result, we recognize foreign currency transaction and re-measurement gains and losses, which are recorded within other income, net in our consolidated statements of operations. These losses were as follows (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>September 29, 2023</b>	<b>September 30, 2022</b>	<b>September 24, 2021</b>
Foreign currency transaction gains/(losses) . . . . .	\$536	\$(1,283)	\$(749)

*Non-designated Hedges.* In an effort to reduce the risk that our earnings will be adversely affected by foreign currency exchange rate fluctuations, we enter into foreign currency forward contracts exclusively to hedge against assets and liabilities for which we have foreign currency exchange rate exposure. These derivative instruments are carried at fair value with changes in the fair value recorded to other income/(expense), net, in our consolidated statements of operations. While not designated as hedging instruments, these foreign currency forward contracts are used to reduce the exchange rate risk associated primarily with intercompany receivables and payables. These contracts do not subject us to material balance sheet risk due to exchange rate movements as gains and losses on these derivatives are intended to offset gains and losses on the related receivables and payables for which we have foreign currency exchange rate exposure. As of September 29, 2023 and September 30, 2022, the outstanding derivative instruments had maturities of equal to or less than 31 days, respectively, and the total notional amounts of outstanding contracts were \$61.7 million and \$56.6 million, respectively. The fair values of these contracts are included within prepaid expenses and other current assets and within accrued liabilities in our consolidated balance sheets.

*Cash Flow Hedges.* 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. As of September 29, 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 \$73.1 million and \$74.1 million, respectively. 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 consolidated statements of operations as the impact of the hedge transaction, concurrently with the hedged costs.

The pre-tax gain attributed to the effective portion of cash flow hedges recognized in AOCI was \$4.9 million in fiscal 2023. The pre-tax loss attributed to the effective portion of cash flow hedges recognized in AOCI was \$2.6 million in fiscal 2022. The pre-tax effective portion of the losses reclassified to the consolidated statements of operations was \$0.7 million and \$2.1 million in fiscal 2023 and fiscal 2022, respectively.

### ***Income Taxes***

We use the asset and liability method, under which deferred income tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities, and NOL carryforwards are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed. In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is additionally dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment, and we record a valuation allowance to reduce our deferred tax assets when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized.

We record an unrecognized tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the tax authorities. We include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued are reversed in the period that such determination is made and are reflected as a reduction of the overall income tax provision.

### ***Recently Issued Accounting Standards***

We continually assess any ASUs or other new accounting pronouncements issued by the FASB to determine their applicability and impact on us. Where it is determined that a new accounting pronouncement will result in a change to our financial reporting, we take the appropriate steps to ensure that such changes are properly reflected in our consolidated financial statements or notes thereto.

### ***Adopted Standards***

*Business Combinations.* In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting 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*. This standard is effective for Dolby beginning September 30, 2023 on a prospective basis, but early adoption is permitted. We early adopted this ASU in conjunction with the acquisition of MPEG LA by Via Corp (as defined below), and with that adoption, we recognized \$38.1 million in deferred revenue. Refer to Note 15 “*Business Combinations*” for a description of the recent business combination involving Via LA. There were no other business combinations entered into during fiscal 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, 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 solutions to companies building real-time digital experiences that increase audience engagement. Our solution provides the capability to stream high quality audiovisual content in ultra-low latency which reduces the delay between the action and the viewer.
- *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 administrative fees for managing patent pools on behalf of third party patent owners through our subsidiary, Via LA. See Note 15 "Business Combinations" for a description of the recent business combination involving Via LA.

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 within the following two quarters. 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 first quarter of fiscal 2023, we recorded a favorable adjustment of approximately \$10 million, which was primarily related to shipments that occurred in our fourth quarter of fiscal 2022 (July through September) and largely based on actual royalty statements received from licensees. In the second quarter of fiscal 2023, we recorded a favorable adjustment of \$1 million, and in the third and fourth quarter of fiscal 2023, we recorded a favorable adjustment of \$1 million and \$5 million, respectively, each primarily related to shipments that occurred in the prior two quarters, and largely based on actual royalty statements received from licensees.

*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 at 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 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 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.

*Licensing Administration Fee.* We generate administrative fees for managing patent pools on behalf of third party patent owners through our subsidiary, Via LA. As an agent to licensors in the patent pool, Via LA 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 LA also has contracts where the fees are fixed. The revenue share Via LA 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 15 “*Business Combinations*” to our consolidated financial statements for a description of the recent business combination involving Via LA.

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. On September 29, 2023, we had \$71.3 million of remaining performance obligations, 44% of which we expect to recognize as revenue in fiscal 2024, 21% in fiscal 2025, and the balance of 35% in fiscal years beyond 2025.

#### **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 Year Ended					
	September 29, 2023		September 30, 2022		September 24, 2021	
<b>Revenue</b>						
Licensing . . . . .	\$1,197,930	92%	\$1,164,533	93%	\$1,214,147	95%
Products and services . . . . .	101,814	8%	89,260	7%	67,109	5%
<b>Total revenue . . . . .</b>	<b>\$1,299,744</b>	<b>100%</b>	<b>\$1,253,793</b>	<b>100%</b>	<b>\$1,281,256</b>	<b>100%</b>

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

	Fiscal Year Ended					
	September 29, 2023		September 30, 2022		September 24, 2021	
<b>Market</b>						
Broadcast	\$ 451,719	38%	\$ 433,992	37%	\$ 475,648	39%
Mobile	243,897	20%	238,735	21%	261,232	22%
CE	170,197	14%	186,285	16%	181,944	15%
PC	124,362	10%	151,079	13%	141,919	12%
Other	207,755	18%	154,442	13%	153,404	12%
<b>Total licensing revenue</b>	<b>\$1,197,930</b>	<b>100%</b>	<b>\$1,164,533</b>	<b>100%</b>	<b>\$1,214,147</b>	<b>100%</b>

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 Year Ended					
	September 29, 2023		September 30, 2022		September 24, 2021	
<b>Geographic Location</b>						
United States	\$ 466,030	36%	\$ 468,246	37%	\$ 419,901	33%
International	833,714	64%	785,547	63%	861,355	67%
<b>Total revenue</b>	<b>\$1,299,744</b>	<b>100%</b>	<b>\$1,253,793</b>	<b>100%</b>	<b>\$1,281,256</b>	<b>100%</b>

### 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 consolidated balance sheets. We present the net contract asset or liability when we have both contract assets and contract liabilities for a single contract. In fiscal 2023, we recognized \$18.3 million 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):

	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>Change (\$)</u>	<u>Change (%)</u>
Accounts receivable, net . . . . .	\$262,245	\$243,593	\$18,652	8%
Contract assets, net . . . . .	182,130	176,093	6,037	3%
Contract liabilities—current . . . . .	31,505	18,588	12,917	69%
Contract liabilities—non-current . . . . .	39,997	23,203	16,794	72%

#### 4. Composition of Certain Financial Statement Captions

The following tables present detailed information from our consolidated balance sheets as of September 29, 2023 and September 30, 2022 (in thousands).

##### *Accounts Receivable and Contract Assets*

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Trade accounts receivable . . . . .	\$137,820	\$162,531
Accounts receivable from patent administration program licensees . . . . .	134,108	92,896
Contract assets . . . . .	182,268	176,218
Accounts receivable and contract assets, gross . . . . .	454,196	431,645
Less: allowance for credit losses on accounts receivable and contract assets . . .	(9,821)	(11,959)
<b>Total accounts receivable and contract assets, net . . . . .</b>	<b><u>\$444,375</u></b>	<b><u>\$419,686</u></b>

Accounts receivable as of September 29, 2023 and September 30, 2022, respectively, includes unbilled accounts receivable balances of \$150.4 million and \$106.9 million, 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 LA's unconditional right to consideration related to its patent administration programs.

<u>Allowance for Credit Losses</u>	<u>Beginning Balance</u>	<u>Charges/(Credits) to S&amp;M and G&amp;A</u>	<u>Additions/ (Deductions)</u>	<u>Ending Balance</u>
For fiscal year ended:				
September 24, 2021 . . . . .	\$15,908	\$(2,889)	\$(4,067)	\$ 8,952
September 30, 2022 . . . . .	8,952	5,460	(7)	14,405
September 29, 2023 . . . . .	14,405	(793)	(2,643)	10,969

Allowance for credit losses includes the provision for estimated credit losses on our sales-type leases, which was not material as of September 29, 2023 and as of September 30, 2022.

##### *Inventories*

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Raw materials . . . . .	\$ 6,203	\$10,026
Work in process . . . . .	3,972	4,955
Finished goods . . . . .	25,448	8,568
<b>Total inventories . . . . .</b>	<b><u>\$35,623</u></b>	<b><u>\$23,549</u></b>

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 consolidated balance sheets.

We have included \$8.1 million and \$2.8 million of inventory within non-current assets as of September 29, 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***

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Prepaid expenses .....	\$24,435	\$26,851
Other current assets .....	<u>26,257</u>	<u>23,224</u>
<b>Total prepaid expenses and other current assets .....</b>	<b><u>\$50,692</u></b>	<b><u>\$50,075</u></b>

***Accrued Liabilities***

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Amounts payable to patent administration program partners .....	\$150,509	\$ 63,106
Accrued compensation and benefits .....	118,728	84,111
Accrued professional fees .....	18,632	13,057
Unpaid property, plant, and equipment additions .....	18,002	15,428
Accrued customer refunds .....	3,878	3,674
Accrued market development funds .....	5,010	7,206
Other accrued liabilities .....	<u>36,640</u>	<u>43,655</u>
<b>Total accrued liabilities .....</b>	<b><u>\$351,399</u></b>	<b><u>\$230,237</u></b>

***Other Non-Current Liabilities***

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Supplemental retirement plan obligations .....	\$ 4,302	\$ 4,127
Non-current tax liabilities <sup>(1)</sup> .....	74,482	83,758
Other liabilities .....	<u>29,555</u>	<u>12,237</u>
<b>Total other non-current liabilities .....</b>	<b><u>\$108,339</u></b>	<b><u>\$100,122</u></b>

(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 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 corporate bonds, government bonds, municipal debt securities, U.S. agency securities, commercial paper, and certificates of deposit. 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):

	September 29, 2023						
	Cost	Unrealized			Estimated Fair Value		
		Gains	Losses	Total	Level 1	Level 2	Level 3
Cash and cash equivalents:							
Cash	\$602,288	\$—	\$—	\$602,288	\$602,288	\$—	\$—
Cash equivalents:							
Commercial paper	1,514	—	—	1,514	—	1,514	—
Money market funds	139,831	—	—	139,831	139,831	—	—
Government Bonds	1,731	—	—	1,731	1,731	—	—
Cash and cash equivalents	<u>745,364</u>	<u>—</u>	<u>—</u>	<u>745,364</u>	<u>743,850</u>	<u>1,514</u>	<u>—</u>
Short-term investments:							
Certificate of deposit	530	—	—	530	—	530	—
U.S. agency securities	5,956	1	(7)	5,950	—	5,950	—
Government bonds	50,220	3	(384)	49,839	46,246	3,593	—
Commercial paper	5,843	—	(3)	5,840	—	5,840	—
Corporate bonds	61,803	—	(431)	61,372	—	61,372	—
Municipal debt securities	15,801	—	(184)	15,617	—	15,617	—
Short-term investments	<u>140,153</u>	<u>4</u>	<u>(1,009)</u>	<u>139,148</u>	<u>46,246</u>	<u>92,902</u>	<u>—</u>
Long-term investments:							
Government bonds	33,227	—	(1,046)	32,181	32,181	—	—
Corporate bonds	39,057	6	(589)	38,474	—	38,474	—
Municipal debt securities	16,137	—	(224)	15,913	—	15,913	—
Other investments <sup>(1)</sup>	11,244	—	—	11,244	—	—	—
Long-term investments	<u>99,665</u>	<u>6</u>	<u>(1,859)</u>	<u>97,812</u>	<u>32,181</u>	<u>54,387</u>	<u>—</u>
<b>Total cash, cash equivalents, and investments</b>	<b><u>\$985,182</u></b>	<b><u>\$ 10</u></b>	<b><u>\$(2,868)</u></b>	<b><u>\$982,324</u></b>	<b><u>\$822,277</u></b>	<b><u>\$148,803</u></b>	<b><u>\$—</u></b>
Investments held in supplemental retirement plan:							
Assets	\$ 4,400	\$—	\$—	\$ 4,400	\$ 4,400	\$—	\$—
<i>Included in prepaid expenses and other current assets and other non-current assets</i>							
Liabilities	\$ 4,400	\$—	\$—	\$ 4,400	\$ 4,400	\$—	\$—
<i>Included in accrued liabilities and other non-current liabilities</i>							
Currency derivatives as hedge instruments:							
Assets: Included in other current assets	\$—	\$144	\$—	\$ 144	\$—	\$ 144	\$—
Assets: included in other non-current assets	—	2	—	2	—	2	—
Liabilities: Included in other accrued liabilities	—	—	(618)	(618)	—	(618)	—
Liabilities: Included in other non-current liabilities	—	—	(24)	(24)	—	(24)	—

(1) Other investments as of September 29, 2023 is primarily comprised of an equity method investment of \$5.9 million and an equity security without a readily determinable fair value, valued at \$5.0 million.



September 30, 2022

	Cost	Unrealized			Estimated Fair Value		
		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	<u>620,128</u>	<u>—</u>	<u>(1)</u>	<u>620,127</u>	<u>609,800</u>	<u>10,327</u>	<u>—</u>
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	<u>190,967</u>	<u>9</u>	<u>(1,763)</u>	<u>189,213</u>	<u>52,833</u>	<u>136,380</u>	<u>—</u>
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 <sup>(1)</sup>	10,902	—	—	10,902	—	—	—
Long-term investments	<u>106,746</u>	<u>4</u>	<u>(4,236)</u>	<u>102,514</u>	<u>38,055</u>	<u>53,557</u>	<u>—</u>
<b>Total cash, cash equivalents, and investments</b>	<b><u>\$917,841</u></b>	<b><u>\$ 13</u></b>	<b><u>\$(6,000)</u></b>	<b><u>\$911,854</u></b>	<b><u>\$700,688</u></b>	<b><u>\$200,264</u></b>	<b><u>\$—</u></b>
Investments held in supplemental retirement plan:							
Assets	\$ 4,225	\$—	\$—	\$ 4,225	\$ 4,225	\$—	\$—
<i>Included in prepaid expenses and other current assets and other non-current assets</i>							
Liabilities	\$ 4,225	\$—	\$—	\$ 4,225	\$ 4,225	\$—	\$—
<i>Included in accrued liabilities and other non-current liabilities</i>							
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, valued at \$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.

The following table describes the valuation techniques and inputs applicable to each class of security held within our investment portfolio as of September 29, 2023:

<u>Asset Type</u>	<u>Primary Source</u>	<u>Update Frequency</u>	<u>Fair Value Methodology</u>	<u>Secondary Source</u>
<b><u>Level 1</u></b>				
Money Market Funds . . . . .	Not Applicable	Daily	\$1 per share	Not Applicable
U.S. Government Bonds . . . . .	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes—evaluations based on various market and industry inputs	Bloomberg
<b><u>Level 2</u></b>				
Certificates of Deposit . . . . .	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes—evaluations based on various market and industry inputs	Bloomberg
Commercial Paper . . . . .	U.S. Bank Pricing Unit	Daily	Matrix Pricing	Not Applicable
Corporate Bonds . . . . .	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes—evaluations based on various market and industry inputs	Bloomberg
Municipal Debt Securities . . . . .	ICE (Intercontinental Exchange)	Daily	Evaluations based on various market and industry inputs	Bloomberg
U.S. Agency Securities . . . . .	ICE (Intercontinental Exchange)	Daily	Institutional Bond Quotes—evaluations based on various market and industry inputs	Bloomberg
Int'l Government Bonds . . . . .	ICE (Intercontinental Exchange) Extel Financial Ltd	Daily	Evaluations based on various market factors	Bloomberg

*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 September 29, 2023 and September 30, 2022 (in thousands):

Investment Type	September 29, 2023				September 30, 2022			
	Less Than 12 Months		Greater Than 12 Months		Less Than 12 Months		Greater Than 12 Months	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Certificate of deposit .....	\$ —	\$ —	\$ —	\$ —	\$ 10,352	\$ (47)	\$ —	\$ —
U.S. agency securities .....	853	(7)	—	—	13,144	(5)	1,395	(55)
Government bonds .....	26,756	(247)	40,235	(1,183)	89,741	(2,593)	8,566	(332)
Commercial paper .....	5,840	(3)	—	—	5,770	(15)	—	—
Corporate bonds .....	79,846	(461)	14,634	(558)	81,044	(1,523)	18,306	(561)
Municipal debt securities .....	23,365	(203)	8,166	(206)	40,119	(712)	3,336	(156)
<b>Total</b> .....	<b>\$136,660</b>	<b>\$(921)</b>	<b>\$63,035</b>	<b>\$(1,947)</b>	<b>\$240,170</b>	<b>\$(4,895)</b>	<b>\$31,603</b>	<b>\$(1,104)</b>

Although we had certain securities that were in an unrealized loss position as of September 29, 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 September 29, 2023 and September 30, 2022, which are recorded within cash equivalents and both short and long-term investments in our consolidated balance sheets (in thousands):

Range of maturity	September 29, 2023		September 30, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year .....	\$283,229	\$282,225	\$336,291	\$334,537
Due in 1 to 2 years .....	67,679	66,075	53,721	51,332
Due in 2 to 5 years .....	20,743	20,493	42,122	40,280
<b>Total</b> .....	<b>\$371,651</b>	<b>\$368,793</b>	<b>\$432,134</b>	<b>\$426,149</b>

## 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 consolidated statements of operations. Depreciation expense was \$54.0 million, \$59.5 million, and \$66.4 million in fiscal 2023, 2022, and 2021, respectively.

As of September 29, 2023 and September 30, 2022, PP&E consisted of the following (in thousands):

<u>Property, Plant, and Equipment</u>	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Land .....	\$ 41,902	\$ 41,774
Buildings and building improvements .....	287,799	287,544
Leasehold improvements .....	79,988	86,793
Machinery and equipment .....	152,675	136,995
Computer equipment and software .....	233,224	232,108
Furniture and fixtures .....	32,629	33,797
Equipment provided under operating leases .....	211,910	229,177
Construction-in-progress .....	18,327	23,037
Property, plant, and equipment, gross .....	1,058,454	1,071,225
Less: accumulated depreciation .....	(576,873)	(557,744)
<b>Property, plant, and equipment, net</b> .....	<b><u>\$ 481,581</u></b>	<b><u>\$ 513,481</u></b>

## 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. We determine if a contract contains a lease based on whether we have the right to obtain substantially all of the economic benefits from the use of an identified asset and whether we have the right to direct the use of an identified asset in exchange for consideration, which relates to an asset which we do not own. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets are recognized as the lease liability, adjusted for lease incentives received. Lease liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value of the future lease payments is our IBR, because the interest rate implicit in our leases is not readily determinable. The IBR is a hypothetical rate based on our understanding of what our credit rating would be and resulting interest we would pay to borrow an amount equal to the lease payments in a similar economic environment over the lease term on a collateralized basis. Lease payments may be fixed or variable, however, only fixed payments are included in our lease liability calculation. Variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

The lease term of operating leases vary from less than a year to 10 years. We have leases that include one or more options to extend the lease term for up to 5 years as well as options to terminate the lease within one year. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

The components of lease expense were as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
<b>Lease cost</b>			
Operating lease cost .....	\$14,860	\$17,260	\$19,261
Variable lease cost .....	1,424	1,560	755
<b>Total lease cost</b> .....	<b><u>\$16,284</u></b>	<b><u>\$18,820</u></b>	<b><u>\$20,016</u></b>

Supplemental cash flow information related to leases was as follows (in thousands):

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Other information</b>			
Cash paid for amounts included in the measurement of operating lease liabilities .....	\$16,589	\$16,957	\$19,173
Right-of-use assets obtained in exchange for operating lease obligations .....	16,259	1,737	5,225

Supplemental balance sheet information related to leases was as follows:

	September 29, 2023	September 30, 2022
<b>Operating Leases</b>		
Weighted-average remaining lease term .....	5.3 years	5.5 years
Weighted-average discount rate .....	4.6%	3.2%

The following table presents the maturity analysis of lease liabilities (in thousands):

	September 29, 2023 Operating Leases
Fiscal 2024 .....	\$17,547
Fiscal 2025 .....	12,700
Fiscal 2026 .....	7,413
Fiscal 2027 .....	5,912
Fiscal 2028 .....	5,669
Thereafter .....	<u>11,020</u>
Total undiscounted lease payments .....	60,261
Less: imputed interest .....	<u>(9,613)</u>
<b>Total lease liabilities</b> .....	<b><u>\$50,648</u></b>

*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 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 Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Operating Lease Income</b>			
Variable operating lease income .....	\$33,921	\$31,514	\$9,511
Fixed operating lease income .....	\$ 3,253	\$ 2,953	\$4,203

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 September 29, 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. We recognized \$2.3 million to revenue and \$0.4 million to cost of revenue associated with sales-type leases in fiscal 2023. 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):

	<u>September 29, 2023</u>	
	<u>Operating Leases</u>	<u>Sales-Type Leases</u>
Fiscal 2024 .....	\$1,090	\$ 795
Fiscal 2025 .....	1,109	795
Fiscal 2026 .....	<u>932</u>	<u>395</u>
Total undiscounted cash flows .....	\$3,131	1,985
Less: Carrying value of lease receivables .....		<u>(563)</u>
<b>Difference</b> .....		<b><u>\$1,422</u></b>

## 8. Goodwill and Intangible Assets

### *Goodwill*

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

	<u>Goodwill</u>
<b>Balance as of September 24, 2021</b> .....	<b>\$340,694</b>
Acquired goodwill <sup>(1)</sup> .....	31,695
Translation adjustments .....	(7,185)
Measurement period adjustments .....	<u>(57)</u>
<b>Balance as of September 30, 2022</b> .....	<b>\$365,147</b>
Acquired goodwill <sup>(1)</sup> .....	36,344
Translation adjustments .....	2,683
Measurement period adjustments .....	<u>4,235</u>
<b>Balance as of September 29, 2023</b> .....	<b>\$408,409</b>

(1) Refer to Note 15 “*Business Combinations*” for additional information related to our acquired goodwill, including the correction of an immaterial error impacting goodwill and amounts payable to patent administrative program partners.

### 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):

Intangible Assets, Net	September 29, 2023			September 30, 2022		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Acquired patents and technology	\$350,406	\$(270,750)	\$ 79,656	\$355,622	\$(253,080)	\$102,542
Customer relationships	148,794	(61,049)	87,745	66,142	(56,572)	9,570
Other intangible assets	22,781	(22,755)	26	22,973	(22,820)	153
<b>Total</b>	<b>\$521,981</b>	<b>\$(354,554)</b>	<b>\$167,427</b>	<b>\$444,737</b>	<b>\$(332,472)</b>	<b>\$112,265</b>

During fiscal 2023 and fiscal 2022, we acquired \$86.0 million and \$8.7 million of identifiable intangible assets in connection with the acquisition of MPEG LA and Millicast, Inc. (“Millicast”), respectively. Refer to Note 15 “Business Combinations” for additional information. During fiscal 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 years. These intangible assets facilitate our R&D efforts, technologies, and potential product offerings.

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 consolidated statements of operations. Amortization expense was \$28.6 million, \$29.0 million, and \$29.5 million in fiscal 2023, 2022 and 2021, respectively. As of September 29, 2023, expected amortization expense of our intangible assets in future fiscal periods was as follows (in thousands):

Fiscal Year	Amortization Expense
2024	\$ 30,130
2025	15,812
2026	15,293
2027	14,773
2028	14,614
Thereafter	76,805
<b>Total</b>	<b>\$167,427</b>

### 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 September 29, 2023, we had authorized 500,000,000 Class A shares and 500,000,000 Class B shares. As of September 29, 2023, we had 59,673,633 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***

Our 2020 Stock Plan originally was adopted by our Board of Directors and shareholders in 2005 (when the 2020 Stock Plan was called the 2005 Stock Plan). Our stockholders last approved amendments to the 2020 Stock Plan at our 2023 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 since inception of the plan. 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 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 certain 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 officers that have vested during the periods presented:

<u>Grant Date</u>	<u>Aggregate Shares Granted at Target Award</u>	<u>Aggregate Shares Exercisable at Vest Date <sup>(1)</sup></u>	<u>Percentage Vested of Target Award</u>	<u>Vested Date</u>
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 September 29, 2023, an aggregate of 249,228 shares of PSOs were exercisable and outstanding.



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

	<u>Shares</u> <i>(in thousands)</i>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life</u> <i>(in years)</i>	<u>Aggregate Intrinsic Value <sup>(1)</sup></u> <i>(in thousands)</i>
Options outstanding as of September 30, 2022 . . . . .	4,059	\$62.59		
Grants . . . . .	326	71.07		
Exercises . . . . .	(657)	47.26		
Forfeitures and cancellations . . . . .	(8)	53.19		
<b>Options outstanding as of September 29, 2023 . . . . .</b>	<b>3,720</b>	66.13	5.25	\$55,930
Options vested and expected to vest as of				
September 29, 2023 . . . . .	3,587	65.97	5.19	55,579
<b>Options exercisable as of September 29, 2023 . . . . .</b>	<b>2,938</b>	62.95	4.49	52,361

(1) Aggregate intrinsic value is based on the closing stock price of our Class A common stock on September 29, 2023 of \$79.26 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. RSU awards granted to employees and officers generally vest over four years, with cliff-vesting. Awards granted to ongoing non-employee directors generally vest over approximately one year. Awards granted to new non-employee 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 certain 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 certain 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.

The following table summarizes information on PSUs granted to our officers that have not vested as of September 29, 2023:

	<u>Aggregate Shares Granted</u>	<u>Potential Shares at Vest Date (at 200% of Target)</u>
December 15, 2020 . . . . .	66,138	132,276
December 15, 2021 . . . . .	60,301	120,602
December 15, 2022 . . . . .	90,613	181,226

On December 16, 2019, we granted PSUs vesting for an aggregate of 62,000 shares at the target award amount, which vested at 81% of the target award amount. As of September 29, 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:

	<u>Shares</u>	<u>Weighted-Average Grant Date Fair Value</u>
	<i>(in thousands)</i>	
Non-vested as of September 30, 2022	3,502	\$83.09
Granted	1,718	69.74
Vested	(1,252)	78.74
Forfeitures	(221)	79.62
Non-vested as of September 29, 2023	<u>3,747</u>	\$78.62

The fair value as of the respective vesting dates of RSUs were as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
Restricted stock units—vest date fair value	\$92,843	\$106,919	\$101,108

**Employee Stock Purchase Plan.** Our ESPP originally was adopted by our Board of Directors and shareholders in 2005. Our stockholders last approved amendments to the ESPP at our 2023 annual meeting of stockholders. The ESPP 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 day of the offering period and the last day of the purchase period. 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. A total of 5.5 million shares of our Class A common stock have been authorized for issuance under the ESPP since inception of the plan.

#### **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:

	<b>Fiscal Year Ended</b>		
	<b>September 29, 2023</b>	<b>September 30, 2022</b>	<b>September 24, 2021</b>
Expected term (in years) . . . . .	4.82	4.78	4.88
Risk-free interest rate . . . . .	3.6%	1.5%	0.8%
Expected stock price volatility . . . . .	29.4%	28.8%	27.9%
Dividend yield . . . . .	1.6%	1.1%	1.0%

The following table summarizes the weighted-average fair value (per share) of stock options granted and the total intrinsic value of stock options exercised (in thousands):

	<b>Fiscal Year Ended</b>		
	<b>September 29, 2023</b>	<b>September 30, 2022</b>	<b>September 24, 2021</b>
Stock options granted—weighted-average grant date fair value . . . . .	\$ 19.15	\$ 21.17	\$ 20.93
Stock options exercised—intrinsic value . . . . .	22,736	22,885	102,812

***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 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 estimated annual forfeiture rates used for awards granted were 8.62%, 8.63%, and 8.85% in fiscal 2023, 2022, and 2021, respectively.

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

*Expense—By Award Type*

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Compensation expense			
Stock options	\$ 8,486	\$ 10,244	\$ 13,724
Restricted stock units <sup>(1) (2)</sup>	105,915	98,433	80,705
Employee stock purchase plan	4,085	6,248	5,269
Total stock-based compensation	118,486	114,925	99,698
Estimated benefit from income taxes	(17,844)	(17,581)	(15,790)
<b>Total stock-based compensation, net of tax</b>	<b>\$100,642</b>	<b>\$ 97,344</b>	<b>\$ 83,908</b>

(1) Stock-based compensation expense incurred by restricted stock units includes expense from PSUs.

(2) Excludes \$1.2 million and \$0.7 million of capitalized stock-based compensation related to internal use software in fiscal 2023 and fiscal 2022, respectively.

*Expense—By Income Statement Line Item Classification*

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Compensation expense			
Cost of products and services	\$ 1,697	\$ 1,819	\$ 2,033
Research and development	39,472	37,061	29,733
Sales and marketing	40,038	41,326	36,432
General and administrative	37,279	34,719	31,500
Total stock-based compensation	118,486	114,925	99,698
Estimated benefit from income taxes	(17,844)	(17,581)	(15,790)
<b>Total stock-based compensation, net of tax</b>	<b>\$100,642</b>	<b>\$ 97,344</b>	<b>\$ 83,908</b>

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 fiscal 2023 and fiscal 2022, and was \$1.2 million in fiscal 2021.

*Unrecognized Compensation Expense.* As of September 29, 2023, total unrecognized compensation expense associated with employee stock options expected to vest was approximately \$11.4 million, which is expected to be recognized over a weighted-average period of 2.4 years. As of September 29, 2023, total unrecognized compensation expense associated with RSUs expected to vest was approximately \$188.9 million, which is expected to be recognized over a weighted-average period of 2.3 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 September 29, 2023 (in thousands):

<u>Date of Authorization</u>	<u>Authorization Amount</u>
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
<b>Total</b> .....	<b><u><u>\$2,950,000</u></u></b>

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 September 29, 2023, the remaining authorization to purchase additional shares was \$211.6 million.

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

<u>Quarterly Repurchase Activity</u>	<u>Shares Repurchased</u>	<u>Cost (1)</u>	<u>Average Price Paid Per Share (2)</u>
		<i>(in thousands)</i>	
Q1 - Quarter ended December 30, 2022 .....	680,861	\$ 49,412	\$72.57
Q2 - Quarter ended March 31, 2023 .....	631,046	49,864	79.02
Q3 - Quarter ended June 30, 2023 .....	294,793	25,000	84.81
Q4 - Quarter ended September 29, 2023 .....	285,499	25,000	87.57
<b>Total</b> .....	<b><u><u>1,892,199</u></u></b>	<b><u><u>\$149,276</u></u></b>	

(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	\$25.8 million
Q3 - Quarter ended June 30, 2023 . . . . .	August 3, 2023	August 14, 2023	August 22, 2023	\$0.27	\$25.8 million
Q4 - Quarter ended September 29, 2023 . . . . .	November 16, 2023	November 28, 2023	December 5, 2023	\$0.30	\$28.7 million <sup>(1)</sup>

(1) The dividend payment amount for the dividend declared in the fourth 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 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 consolidated statements of operations (in thousands):

	Fiscal Year Ended September 29, 2023				Fiscal Year Ended September 30, 2022			
	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total
<b>Beginning Balance</b> . . . . .	\$(5,986)	\$(4,483)	\$(41,172)	\$(51,641)	\$ 220	\$ (122)	\$(10,128)	\$(10,030)
Other comprehensive income before reclassifications:								
Unrealized gains/(losses) . . . . .	3,313	4,869	—	8,182	(6,783)	(2,588)	—	(9,371)
Foreign currency translation gains/(losses) <sup>(1)</sup> . . . . .	—	—	7,170	7,170	—	—	(30,799)	(30,799)
Income tax effect—benefit/(expense) . . . . .	—	—	73	73	52	(8)	(245)	(201)
Net of tax . . . . .	3,313	4,869	7,243	15,425	(6,731)	(2,596)	(31,044)	(40,371)
Amounts reclassified from AOCI into earnings:								
Realized gains/(losses) <sup>(2)</sup> . . . . .	(239)	(668)	—	(907)	527	(2,097)	—	(1,570)
Income tax effect—benefit/(expense) <sup>(3)</sup> . . . . .	54	85	—	139	(2)	332	—	330
Net of tax . . . . .	(185)	(583)	—	(768)	525	(1,765)	—	(1,240)
<b>Net current-period other comprehensive income/(loss)</b> . . . . .	<b>3,128</b>	<b>4,286</b>	<b>7,243</b>	<b>14,657</b>	<b>(6,206)</b>	<b>(4,361)</b>	<b>(31,044)</b>	<b>(41,611)</b>
<b>Ending Balance</b> . . . . .	<b>\$(2,858)</b>	<b>\$( 197)</b>	<b>\$(33,929)</b>	<b>\$(36,984)</b>	<b>\$(5,986)</b>	<b>\$(4,483)</b>	<b>\$(41,172)</b>	<b>\$(51,641)</b>

(1) The foreign currency translation gains during fiscal 2023 were primarily due to the strengthening of other foreign currencies as compared to the U.S. dollar. The foreign currency translation losses during fiscal 2022 were primarily due to the strengthening of the U.S. dollar as compared to other foreign currencies.

- (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 consolidated statements of operations. Realized gains or losses on foreign currency contracts designated as cash flow hedges are included in operating expenses in the consolidated statements of operations.
- (3) The income tax benefit or expense is included within provision for income taxes in our 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 Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Numerator:</b>			
Net income attributable to Dolby Laboratories, Inc. . . . .	\$200,656	\$184,087	\$310,227
<b>Denominator:</b>			
Weighted-average shares outstanding—basic . . . . .	95,771	99,990	101,190
Potential common shares from options to purchase			
common stock . . . . .	763	958	1,994
Potential common shares from restricted stock units . . . . .	1,139	912	1,376
Potential common shares from employee stock purchase			
plan . . . . .	60	123	62
Weighted-average shares outstanding—diluted . . . . .	<u>97,733</u>	<u>101,983</u>	<u>104,622</u>
Net income per share attributable to Dolby Laboratories, Inc.:			
Basic . . . . .	\$ 2.10	\$ 1.84	\$ 3.07
Diluted . . . . .	\$ 2.05	\$ 1.81	\$ 2.97
Antidilutive awards excluded from calculation:			
Stock options . . . . .	930	587	235
Restricted stock units . . . . .	7	1,158	48
Employee stock purchase plan . . . . .	2	—	2

## 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.

### *Income Tax Provision*

The following two tables present the components of our income before provision for income taxes by geographic region and the portion of our provision for income taxes classified as current and deferred (in thousands):

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
United States .....	\$ 44,136	\$ 33,318	\$104,741
Foreign .....	205,917	181,961	249,771
<b>Total income before income taxes .....</b>	<b><u>\$250,053</u></b>	<b><u>\$215,279</u></b>	<b><u>\$354,512</u></b>
	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Current:			
Federal .....	\$ (1,053)	\$ 2,008	\$ 7,216
State .....	1,023	553	953
Foreign .....	<u>66,776</u>	<u>58,285</u>	<u>65,568</u>
Total current .....	66,746	60,846	73,737
Deferred:			
Federal .....	(16,949)	(29,990)	(36,035)
State .....	(356)	8	(63)
Foreign .....	<u>(1,032)</u>	<u>517</u>	<u>(950)</u>
Total deferred .....	<u>(18,337)</u>	<u>(29,465)</u>	<u>(37,048)</u>
<b>Provision for income taxes .....</b>	<b><u>\$ 48,409</u></b>	<b><u>\$ 31,381</u></b>	<b><u>\$ 36,689</u></b>

### *Repatriation of Undistributed Foreign Earnings*

As a result of the Tax Act, foreign accumulated earnings that were subject to the mandatory Transition Tax as of December 31, 2017, can be repatriated to the U.S. without incurring further U.S. federal tax. The Tax Act changed to a modified territorial tax system through the provision of a 100% dividend received deduction for the foreign-source portions of dividends received from controlled foreign subsidiaries. As a result, we have reevaluated our historical assertion and determined that we no longer consider a vast majority of these earnings to be indefinitely reinvested. During fiscal 2023, we repatriated \$150 million of foreign subsidiary earnings which were exempt from foreign withholding tax. As of September 29, 2023, the total undistributed earnings of our foreign subsidiaries were approximately \$224 million. The unrecognized deferred tax liability on the portion of the undistributed earnings considered indefinitely reinvested is not material.

### *Deferred Income Taxes*

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, using



enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences were as follows (in thousands):

	<b>Fiscal Year Ended</b>	
	<b>September 29, 2023</b>	<b>September 30, 2022</b>
Deferred income tax assets:		
Investments	\$ 5,864	\$ 1,339
Inventories	5,003	6,851
Net operating loss	292	2,507
Accrued expenses	16,945	11,536
Stock-based compensation	17,833	17,295
Revenue recognition	4,563	4,275
Depreciation and amortization <sup>(1)</sup>	130,818	105,114
Lease liability	13,911	10,589
Research and development credits	40,633	40,149
Foreign tax credits	15,684	21,244
Deemed repatriated earnings tax benefit	10,724	10,724
Other	5,075	5,657
Total gross deferred income tax assets	267,345	237,280
Less: valuation allowance	(50,687)	(41,087)
Total deferred income tax assets	216,658	196,193
Deferred income tax liabilities:		
Right of use asset	(14,319)	(10,046)
Intangible assets	(479)	(2,579)
<b>Deferred income tax assets, net</b>	<b>\$201,860</b>	<b>\$183,568</b>

(1) Provisions enacted in the Tax Act related to the capitalization for tax purposes of research and development expenditures became effective on October 1, 2022. These provisions require us to capitalize research and development expenditures and amortize them on our U.S. tax return over five or fifteen years, depending on where research is conducted.

### ***Net Operating Losses and Tax Credit Carryforwards***

As of September 29, 2023, the NOL carryforwards for U.S. federal and California were \$1.7 million and \$4.6 million, respectively, and will start to expire in fiscal 2034 and 2029, respectively. As of September 29, 2023, we had foreign tax credit and federal R&D tax credit carryforwards of \$6.3 million and \$18.3 million, respectively, which will start to expire in fiscal 2029 and fiscal 2035, respectively. We had California R&D tax credits of \$44.3 million, which will carry forward indefinitely, and foreign R&D tax credits of \$5.1 million, which will start to expire in fiscal 2028.

### ***Valuation Allowance***

As of September 29, 2023, a \$34.9 million valuation allowance was recorded against California deferred tax assets, a \$7.5 million valuation allowance was recorded against federal tax credit deferred tax assets, and a \$8.3 million valuation allowance was recorded against foreign deferred tax assets for which ultimate realization of its future benefits is uncertain.

### ***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. A reconciliation of the federal statutory tax rate to our effective tax rate on income from continuing operations was as follows:

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
Federal statutory rate . . . . .	21.0%	21.0%	21.0%
State income taxes, net of federal effect . . . . .	0.3	0.2	0.2
Stock-based compensation . . . . .	1.2	(0.1)	(5.1)
Research and development tax credits . . . . .	(2.7)	(5.0)	(2.6)
Foreign-derived intangible income deduction . . . . .	(2.3)	(2.3)	(2.2)
U.S. tax on foreign entities . . . . .	1.3	1.8	0.8
Foreign rate differential . . . . .	(1.9)	(4.5)	(3.4)
Increase (decrease) unrecognized tax benefit . . . . .	1.9	2.8	2.0
Other . . . . .	0.6	0.7	(0.4)
<b>Effective tax rate . . . . .</b>	<b><u>19.4%</u></b>	<b><u>14.6%</u></b>	<b><u>10.3%</u></b>

Our effective tax rate was 19.4% in fiscal 2023, compared with our federal statutory rate of 21.0%, and with our effective tax rate in fiscal 2022 of 14.6%. The increase in our effective tax rate was primarily due to lower tax benefits related to settlement of stock-based awards and reduced benefit from less research and development tax credits.

Our effective tax rate was 14.6% in fiscal 2022, compared with our effective tax rate in fiscal 2021 of 10.3%. 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 partially offset by benefit from additional research and development tax credits.

#### ***Uncertain Tax Positions***

As of September 29, 2023, the total amount of gross unrecognized tax benefits was \$76.3 million, of which \$47.2 million, if recognized, would reduce our effective tax rate. Our liability increased from fiscal 2022 primarily due to additional accruals in fiscal 2023. Our liability for unrecognized tax benefits is classified within other non-current liabilities in our consolidated balance sheets. Over the next twelve months, we estimate that this amount could be reduced by \$4.8 million as a result of the expiration of certain statutes of limitations. Aggregate changes in the balance of gross unrecognized tax benefits, excluding interest and penalties, were as follows (in thousands):

	Fiscal Year Ended		
	September 29, 2023	September 30, 2022	September 24, 2021
<b>Beginning Balance . . . . .</b>	<b>\$69,682</b>	<b>\$66,106</b>	<b>\$60,691</b>
Gross increases—tax positions taken during prior years . . . . .	219	822	220
Gross decreases—tax positions taken during prior years . . . . .	(1,143)	(178)	(247)
Gross increases—tax positions taken during current year . . . . .	7,546	7,784	6,979
Gross decreases—settlements with tax authorities during current year . . . . .	—	—	(875)
Lapse of statute of limitations . . . . .	—	(4,852)	(662)
<b>Ending Balance . . . . .</b>	<b><u>\$76,304</u></b>	<b><u>\$69,682</u></b>	<b><u>\$66,106</u></b>

### *Classification of Interest and Penalties*

We include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued are reduced in the period that such determination is made and are reflected as a reduction of the overall income tax provision. In fiscal year 2023, our current tax provision was increased by interest expense of \$3.5 million, while in fiscal year 2022, our current tax provision was increased by interest expense of \$1.7 million. Accrued interest and penalties are included within the related tax liability line item in our consolidated balance sheets. Our accrued interest and penalties on unrecognized tax benefits as of September 29, 2023 and September 30, 2022 were as follows (in thousands):

	Fiscal Year Ended	
	September 29, 2023	September 30, 2022
Accrued interest .....	\$10,254	\$6,748
Accrued penalties .....	172	119
<b>Total</b> .....	<b>\$10,426</b>	<b>\$6,867</b>

We continue to monitor the progress of ongoing income tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions. We file income tax returns in the U.S. federal, states, and foreign jurisdictions. Our major tax jurisdictions are the U.S. federal, California, New York, and Ireland.

Our operations in certain jurisdictions remain subject to examination for fiscal 2015 to 2022, some of which are currently under audit or review. The resolution of each of these audits is not expected to be material to our consolidated financial statements. We believe that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If resolution of any tax issues addressed in our current audits are inconsistent with management's expectations, we may be required to adjust our tax provision for income taxes in the period such resolution occurs.

The final U.S. foreign tax credit regulations, issued January 4, 2022, introduced significant changes to foreign tax credit utilization. However, a one year relief delayed the effective date of the final U.S. foreign tax credit regulations until our fiscal 2024. These provisions are expected to have a material adverse effect on our fiscal 2024 and future tax provisions unless postponed or modified.

### **13. Restructuring**

Restructuring charges recorded in our 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 2023 Restructuring Events.*

In September 2023, we initiated a restructuring plan with the purpose of focusing our resources on our highest strategic priorities. We recorded expense of \$13.4 million in severance and other related benefits offered to approximately 160 impacted employees. In conjunction with focusing our resources on our top strategic priorities, we recorded an impairment loss of \$16.9 million related primarily to internally developed software for projects we are no longer pursuing. Cash payment of the severance and other termination benefits is expected to be completed by the second half of fiscal 2024.

In June 2023, we implemented a focused restructuring plan, primarily consisting of workforce reductions and facility consolidations to improve execution in alignment with our strategy and to reduce our cost structure

through improved utilization of our global infrastructure. As a result of these events, we recorded expense of \$10.9 million in severance and other related benefits offered to approximately 130 impacted employees, and we recorded expense of \$6.9 million related to a facility consolidation in New York, NY. Actions related to this plan are expected to be completed by the second half of fiscal 2024. The table presented below summarizes the changes in our restructuring accruals (in thousands):

	Severance	Leased facility exit costs and other costs	Total
<b>Balance at September 24, 2021</b> .....	<b>\$ 163</b>	<b>\$ 4</b>	<b>\$ 167</b>
Restructuring charges .....	8,874	1,749	10,623
Cash payments and adjustments .....	(3,256)	(1,753)	(5,009)
<b>Balance at September 30, 2022</b> .....	<b>\$ 5,781</b>	<b>\$ —</b>	<b>\$ 5,781</b>
Restructuring charges .....	23,943	23,118	47,061
Cash payments and adjustments .....	(9,372)	(16,225)	(25,597)
Non-cash adjustment for leased facility exit costs .....	—	(6,893)	(6,893)
<b>Balance at September 29, 2023</b> .....	<b>\$20,352</b>	<b>\$ —</b>	<b>\$ 20,352</b>

The fiscal 2022 activities primarily related to our fiscal 2022 restructuring plan within our entertainment organization to align resources with a revised business strategy and outlook, and to support our higher priority focus areas.

Accruals for restructuring charges incurred for the restructuring plan described above are included within accrued liabilities in our consolidated balance sheets, while restructuring charges are included within restructuring charges in our consolidated statements of operations.

#### 14. 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 September 29, 2023 (in thousands):

	Payments Due By Fiscal Period						Total
	Fiscal 2024	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Thereafter	
Naming rights .....	\$12,794	\$13,126	\$13,472	\$8,534	\$8,642	\$35,674	\$ 92,242
Purchase obligations .....	29,934	3,816	851	—	—	—	34,601
Donation commitments .....	1,718	116	116	86	86	332	2,454
<b>Total</b> .....	<b>\$44,446</b>	<b>\$17,058</b>	<b>\$14,439</b>	<b>\$8,620</b>	<b>\$8,728</b>	<b>\$36,006</b>	<b>\$129,297</b>

*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. We also hold the naming rights to Dolby Live at the Park MGM in Las Vegas, Nevada. Dolby Live is a fully integrated performance venue offering live concerts in Dolby Atmos.

*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 other R&D activities. Also included in purchase obligations are non-cancelable commitments to contract manufacturers, including potentially variable obligations related to inventory based on demand forecasts we provide to the contract manufacturers.

*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.

## 15. Business Combinations

### *MPEG LA*

On April 28, 2023, our wholly-owned subsidiary Via Licensing Corporation (“Via Corp”) acquired 100% of MPEG LA, L.L.C. (“MPEG LA”), a privately held patent pool administrator that managed several collaborative licensing programs in video imaging and other technologies. 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. The acquisition is expected to strengthen Via LA’s licensing capabilities, particularly in video, diversify its revenues, and reinforce its ability to develop new patent licensing programs. The total consideration for the acquisition was as follows (in thousands):

	<u>Amount</u>
Cash .....	\$135,739
Noncontrolling interest in Via LA (24.8 million common equity units) .....	24,815
Total amount paid to sellers .....	\$160,554
Less: amount deemed post-acquisition expense .....	(2,174)
Total consideration paid to sellers .....	\$158,380
Assumed settlement of pre-existing relationships due to Dolby .....	61,313
Total consideration .....	\$219,693
Less: unrestricted cash acquired .....	(80,633)
<b>Total consideration, net of unrestricted cash acquired</b>	<b>\$139,060</b>

The noncontrolling interest in Via LA includes \$3.6 million of cash held in escrow that will be fully remitted to Dolby in exchange for Via LA common equity units after 18 months from the transaction close date. The fair value of the noncontrolling interest was determined through the issuance of equity in lieu of cash. The assumed settlement of pre-existing relationships was determined based on the contractual amounts of payables and receivables between the parties as such amounts approximate fair value.

We have accounted for the taxable transaction under the acquisition method of accounting for business combinations, and the results of operations of MPEG LA have been included in the Company's consolidated statements of operations from the date of acquisition and were not material. Additionally, we have estimated the fair values of the net tangible and intangible assets acquired, and liabilities assumed as of the acquisition date, with any amounts paid in excess of the net assets recorded as goodwill. The fair values assigned to assets acquired and liabilities assumed are based on management's estimates and assumptions and may be subject to change as additional information is received and certain tax returns are finalized, including potential changes to income tax-related accounts. We expect to finalize the valuation within the one year measurement period. As this acquisition was not significant to our reported operating results, pro forma results of operations are not provided.

The following table summarizes the preliminary acquisition date fair values allocated to the net assets acquired (in thousands):

<u>Recognized Identifiable Assets Acquired and Liabilities Assumed</u>	<u>Purchase Price Allocation (Preliminary)</u>
Cash and cash equivalents . . . . .	\$ 80,633
Restricted cash . . . . .	143,564
Other current assets . . . . .	73,556
Intangible assets . . . . .	86,000
Goodwill . . . . .	40,579
Other non-current assets . . . . .	34,298
Amounts payable to patent administrative program partners . . . . .	(179,616)
Other current liabilities . . . . .	(21,709)
Non-current liabilities . . . . .	(37,612)
<b>Purchase Consideration</b>	<b><u>\$ 219,693</u></b>

In connection with the preparation of our consolidated financial statements, we identified an immaterial error related to the preliminary acquisition date fair values allocated to net assets acquired, whereby we overstated certain accounts payable to patent administrative program partners and, as a consequence, correspondingly overstated goodwill as of the quarter ended June 30, 2023. We evaluated the error quantitatively and qualitatively, and determined that the related impact was not material to our condensed consolidated financial statements for the third quarter of fiscal 2023. Accordingly, we have revised the previously reported financial information for such immaterial error in the above table. The correction of this error resulted in a decrease to amounts payable to patent administrative program partners and a corresponding decrease to goodwill of \$20.3 million, with no impact to total purchase consideration.

Goodwill is representative of our expectation of the benefits and synergies from the integration of MPEG LA operations and the assembled workforce of MPEG LA, which does not qualify for separate recognition as an intangible asset. All of the goodwill recognized is expected to be deductible for income tax purposes.

The following table summarizes the preliminary fair values allocated to the various intangible assets acquired and the weighted-average useful lives over which they will be amortized using the straight-line method:

<u>Intangible Assets Acquired</u>	<u>Purchase Price Allocation</u>	<u>Weighted-Average Useful Life</u>
	<i>(in thousands)</i>	<i>(in years)</i>
Licensor Relationships - AVC & Other . . . . .	\$36,000	13
Licensor Relationships - HEVC . . . . .	31,000	10
Implementer Relationships - AVC & Other . . . . .	12,000	13
Implementer Relationships - HEVC . . . . .	7,000	10
<b>Total</b> . . . . .	<b><u>\$86,000</u></b>	<b>12</b>

The preliminary value of acquired intangibles was determined based on the present value of estimated future cash flows using the following methodologies and inputs:

- Licensor Relationships - the multi-period excess earnings method using inputs such as projected revenue attributable to licensors in the patent pools, revenue retention rate, maintenance sales and marketing expenses, income tax rate, post-tax returns for contributory assets, and discount rate.
- Implementer Relationships - the distributor method using inputs such as projected revenue attributable to the existing implementers in the patent pools, distributor margin, income tax rate, and discount rate.

Acquisition-related costs of \$3.8 million were incurred during fiscal 2023. These acquisition-related costs were included in G&A expenses in the consolidated statements of operations.

*Millicast*

On January 31, 2022, we completed the acquisition of all outstanding interests of Millicast, a privately held company. Following the acquisition, Millicast is expected to enable developers to take the interactive events they build with Dolby.io, and stream them from the presenter to large audiences. We have included the financial results of Millicast in our consolidated financial statements from the date of acquisition, and these results were not material. Additionally, the transaction costs associated with the acquisition were not material.

The total purchase consideration of the acquisition was \$38.8 million. We allocated \$8.7 million in purchase consideration to identifiable intangible assets, which primarily consisted of developed technology, with estimated useful lives of 1.5 years to 8 years. We also recorded \$31.7 million of goodwill, which is representative of our expectation of benefits and synergies from the integration of Millicast technology with our existing technology and the assembled workforce of Millicast.

**16. Operating Segments and Geographic Information**

*Operating Segments*

Operating segments are defined as components of an enterprise for which separate financial information is available, and which are evaluated regularly by the CODM, or decision-making group, in deciding how to allocate resources and assess performance. Our CODM is our Chief Executive Officer. Reporting segments are operating segments exceeding specified revenue, profit or loss, or asset thresholds for which separate disclosure of information is necessary.

We operate as a single reportable segment. This reflects the fact that our CODM continues to evaluate our financial information and resources, and continues to assess the performance of these resources, on a consolidated basis. All required financial segment information is therefore included in our consolidated financial statements.

*Geographic Information*

The methods to determine revenue by geographic region for each of the three categories included within total revenue in our consolidated statements of operations are described within the table presented below.

<u>Revenue Category</u>	<u>Basis For Determining Geographic Location</u>
Licensing . . . . .	Region in which our licensees' headquarters are located
Products . . . . .	Destination to which our products are shipped
Services . . . . .	Location in which the relevant services are performed

The following tables present selected information regarding total revenue by geographic location (amounts presented in thousands).

*Revenue Composition—U.S. and International*

<u>Location</u>	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
United States .....	\$ 466,030	\$ 468,246	\$ 419,901
International .....	833,714	785,547	861,355
<b>Total revenue</b> .....	<b><u>\$1,299,744</u></b>	<b><u>\$1,253,793</u></b>	<b><u>\$1,281,256</u></b>

*Revenue Concentration—Significant Individual Geographic Regions*

<u>Location</u>	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
United States .....	36%	37%	33%
South Korea .....	14%	13%	14%
China .....	22%	20%	23%
Japan .....	9%	8%	11%
Europe .....	10%	10%	10%
Other .....	9%	12%	9%
<b>Total</b> .....	<b><u>100%</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

Long-lived tangible assets, net of accumulated depreciation, by geographic region were as follows (in thousands):

<u>Location</u>	<u>September 29, 2023</u>	<u>September 30, 2022</u>
United States .....	\$390,552	\$415,493
International .....	91,029	97,988
<b>Total long-lived tangible assets, net of accumulated depreciation</b> .....	<b><u>\$481,581</u></b>	<b><u>\$513,481</u></b>

## 17. 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 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.



## 18. Related Parties

We maintain contractual agreements relating to certain entities affiliated with the Dolby family, who is considered a related party as our principal stockholder. These jointly-owned entities were established for the purpose of acquiring and leasing commercial property in the U.S. and U.K. primarily for our operational use. Although the entities affiliated with the Dolby family hold a majority economic interest in such jointly-owned entities, they have a noncontrolling interest since they are the limited member or LP in each of these entities. Therefore, we have consolidated the entities' assets and liabilities and results of operations in our consolidated financial statements. The share of earnings and net assets of the entities attributable to the limited member or LP, as the case may be, is reflected as noncontrolling interest in our consolidated financial statements.

Our interests in these consolidated affiliated entities and the location of the properties leased to Dolby Laboratories as of September 29, 2023 were as follows:

<u>Entity Name</u>	<u>Minority Ownership Interest</u>	<u>Location Of Properties</u>
Dolby Properties Burbank, LLC . . . . .	49.0%	Burbank, California

We also own 10.0% minority ownership interest in Dolby Properties, LP, which owns a facility in Wootton Bassett, England. During fiscal 2022, we ceased leasing the Wootton Bassett facility. The property leased to Dolby Laboratories through Dolby Properties Brisbane, LLC, located in Brisbane, California, was sold during fiscal 2021.

We also lease from our principal stockholder a commercial office building located at 100 Potrero Avenue in San Francisco, California under a term that expires on October 31, 2024. Related party rent expense included in operating expenses in our consolidated statements of operations were as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
Related party rent expense included in operating expenses . . . . .	\$—	\$—	\$(392)

*Distributions.* Distributions made by the jointly-owned real estate entities to our principal stockholder were as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
Distributions to principal stockholder . . . . .	\$(266)	\$(1,435)	\$(7,362)

## 19. Retirement Plans

We maintain a tax-qualified Section 401(k) retirement plan for employees in the U.S. and similar plans in foreign jurisdictions. Under the plan, employees are eligible to receive matching contributions and profit-sharing contributions. We also maintain a SERP, a non-qualified, employer-funded defined contribution retirement plan which was terminated in fiscal 2005.

Retirement plan expenses, which are included in cost of products and services, R&D, S&M, and G&A expense in our consolidated statements of operations, were as follows (in thousands):

	<u>Fiscal Year Ended</u>		
	<u>September 29, 2023</u>	<u>September 30, 2022</u>	<u>September 24, 2021</u>
Retirement plan expenses . . . . .	\$24,925	\$27,378	\$26,379

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

### **ITEM 9A. 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 Exchange Act, as amended, 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 year covered by this Annual Report on Form 10-K. 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.

#### **Management’s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP, and includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of the Company’s internal control over financial reporting as of September 29, 2023 using the criteria established in *Internal Control—Integrated Framework (2013)* issued by the COSO. Based on this assessment and those criteria, management concluded that our internal control over financial reporting was effective as of September 29, 2023. The Company acquired MPEG LA during fiscal 2023. Management excluded from its assessment of the effectiveness of the Company’s internal control over

financial reporting as of September 29, 2023, MPEG LA's internal control over financial reporting which represented 12% of total assets and less than 1.5% of total revenue included in the consolidated financial statements of the Company as of and for the year ended September 29, 2023.

Our internal control over financial reporting has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

### **Changes in Internal Control Over Financial Reporting**

Other than the impact of the acquisition of MPEG LA, there were no changes in our internal control over financial reporting during the fiscal quarter ended September 29, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

### **Securities Trading Plans of Directors and Executive Officers**

During the fiscal quarter ending September 29, 2023, the following officer, as defined in Rule 16a-1(f), adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On August 21, 2023, John Couling, our Senior Vice President, Entertainment, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 83,560 shares of our Class A common stock. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until December 16, 2024, or earlier if all transactions under the trading arrangement are completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Regulation S-K Item 408, during the fiscal quarter ending September 29, 2023.

## **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item concerning our directors, compliance with Section 16 of the Exchange Act, as amended, our code of business conduct and ethics, our Compensation Committee, Nominating and Governance Committee and Audit Committee is incorporated by reference from the information set forth in the sections under the headings “Election of Directors,” “Executive Officers,” “Delinquent Section 16(a) Reports” and “Corporate Governance Matters” in our Definitive Proxy Statement to be filed with the SEC in connection with the Annual Meeting of Stockholders to be held in 2024 (“2024 Proxy Statement”).

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item concerning executive compensation is incorporated by reference from the information in the 2024 Proxy Statement under the headings “Compensation Discussion and Analysis,” “Report of the Compensation Committee of the Board of Directors,” “Executive Compensation Tables and Related Matters,” “Compensation of Directors,” and “Corporate Governance Matters—Compensation Committee Interlocks and Insider Participation.”

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this item concerning securities authorized for issuance under equity compensation plans and security ownership of certain beneficial owners and management is incorporated by reference from the information in the 2024 Proxy Statement under the headings “Executive Compensation Tables and Related Matters—Equity Compensation Plan Information” and “Security Ownership of Certain Beneficial Owners and Management.”

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item concerning transactions with related persons and director independence is incorporated by reference from the information in the 2024 Proxy Statement under the headings “Certain Relationships and Related Transactions” and “Corporate Governance Matters.”

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is incorporated by reference from the information in the 2024 Proxy Statement under the heading “Ratification of Independent Registered Public Accounting Firm.”

## **PART IV**

### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements: See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules: Financial statement schedules have been omitted as the information required is inapplicable or the information is presented in the consolidated financial statements and related notes.
3. Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

## INDEX TO EXHIBITS

Exhibit Number	Description	Incorporated by Reference Herein	
		Form	Date
2.1*	Asset Contribution Agreement dated November 19, 2004, by and between the Registrant, Dolby Laboratories Licensing Corporation, Ray Dolby individually, Ray Dolby as Trustee for the Ray Dolby Trust under the Dolby Family Trust instrument dated May 7, 1999, and Ray and Dagmar Dolby Investments L.P.	Registration Statement on Form S-1 (No. 333-120614), Amendment No. 1	December 30, 2004
3.1	Amended and Restated Certificate of Incorporation	Registration Statement on Form S-1 (No. 333-120614), Amendment No. 2	January 19, 2005
3.2	Form of Amended and Restated Bylaws	Quarterly Report on Form 10-Q	August 3, 2023
4.1	Form of Registrant’s Class A Common Stock Certificate	Registration Statement on Form S-1 (No. 333-120614), Amendment No. 1	December 30, 2004
4.2	Form of Registrant’s Class B Common Stock Certificate	Registration Statement on Form 8-A	January 25, 2006
4.3	Description of Capital Stock	Annual Report on Form 10-K	November 25, 2019
10.1*	Form of Indemnification Agreement entered into between the Registrant and its Directors & Officers	Registration Statement on Form S-1 (No. 333-120614)	November 19, 2004
10.2*	2020 Stock Plan, as amended and restated on February 7, 2023 (“2020 Stock Plan”)	Current Report on Form 8-K	February 10, 2023
10.3*	Employee Stock Purchase Plan (“ESPP”), as amended and restated on February 7, 2023	Current Report on Form 8-K	February 10, 2023
10.4*	Form of Global Stock Option Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.5*	Form of Executive Global Stock Option Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.6*	Form of Global Restricted Stock Unit Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.7*	Form of Executive Global Restricted Stock Unit Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.8*	Form of Subscription Agreement under the ESPP—U.S. Employees	Annual Report on Form 10-K	November 19, 2009
10.9*	Form of Subscription Agreement under the ESPP—Non-U.S. Employees	Quarterly Report on Form 10-Q	August 8, 2012
10.10*	Form of Executive Performance-Based Stock Option Agreement	Current Report on Form 8-K	December 11, 2015

Exhibit Number	Description	Incorporated by Reference Herein	
		Form	Date
10.11*	Form of Executive Performance-Based Restricted Stock Units	Quarterly Report on Form 10-Q	January 29, 2020
10.12*	Employment Agreement dated February 24, 2009, by and between Dolby Laboratories, Inc. & Kevin Yeaman	Quarterly Report on Form 10-Q	April 30, 2009
10.13*	Amendment, dated as of December 19, 2012, to Employment Agreement dated as of February 24, 2009, by and between Dolby Laboratories, Inc. and Kevin Yeaman	Quarterly Report on Form 10-Q	February 6, 2013
10.14*	Offer Letter by and between Andy Sherman & Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	May 10, 2011
10.15*	Lease for 100 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	February 8, 2006
10.16*	First Amendment to Lease for 100 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	May 4, 2006
10.17*	Waiver and Extension Relating to Potrero Avenue Leases dated as of September 29, 2013, by and among Dolby Laboratories, Inc. and the Dolby Family Trust & affiliated Trusts	Annual Report on Form 10-K	November 15, 2013
10.18*	Second Amendment to 100 Potrero Avenue, San Francisco, California Lease Agreement dated May 6, 2014 by and among Dolby Laboratories, Inc. and the Dolby Family Trust & affiliated Trusts	Quarterly Report on Form 10-Q	July 30, 2014
10.19*	Offer Letter dated June 26, 2018 by and between Todd Pendleton and Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	August 1, 2018
10.20*	French Sub-Plan to the 2020 Stock Plan	Quarterly Report on Form 10-Q	July 29, 2021
10.21*	Form of Restricted Stock Unit Agreement—France	Quarterly Report on Form 10-Q	July 29, 2021
10.22*	2023 Dolby Executive Bonus Plan	Current Report on Form 8-K	November 16, 2023
10.23*	Offer Letter dated September 23, 2021 by and between Robert Park and Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	February 4, 2022
10.24*	Offer Letter dated April 6, 2022 by and between Shriram Revankar and Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	August 9, 2022
21.1+	List of significant subsidiaries of the Registrant		
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm		

Exhibit Number	Description	Incorporated by Reference Herein	
		Form	Date
24.1	Power of Attorney (incorporated by reference from the signature page of this Annual Report on Form 10-K)		
31.1+	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act		
31.2+	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act		
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		
101.INS‡	XBRL Instance Document		
101.SCH‡	XBRL Taxonomy Extension Schema Document		
101.CAL‡	XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF‡	XBRL Extension Definition		
101.LAB‡	XBRL Taxonomy Extension Label Linkbase Document		
101.PRE‡	XBRL Taxonomy Extension Presentation Linkbase Document		
+	Filed herewith.		
*	Denotes a management contract or compensatory plan or arrangement.		
‡	Furnished herewith.		



## ITEM 16. FORM 10-K SUMMARY

None.

### SIGNATURES

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: November 16, 2023

DOLBY LABORATORIES, INC.

By:                     /S/ ROBERT PARK                      
**Robert Park**  
**Senior Vice President and Chief Financial Officer**  
**(Principal Financial Officer)**

### POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Kevin J. Yeaman and Robert Park, and each of them, his or her attorney-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitutes, may do or cause to be done by virtue of hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>          /S/ PETER GOTCHER          </u> Peter Gotcher	Chairman of the Board of Directors	November 16, 2023
<u>          /S/ KEVIN J. YEAMAN          </u> Kevin J. Yeaman	President, Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2023
<u>          /S/ ROBERT PARK          </u> Robert Park	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	November 16, 2023
<u>          /S/ RYAN NICHOLSON          </u> Ryan Nicholson	Vice President, Chief Accounting Officer (Principal Accounting Officer)	November 16, 2023
<u>          /S/ MICHELINE CHAU          </u> Micheline Chau	Director	November 16, 2023
<u>          /S/ DAVID DOLBY          </u> David Dolby	Director	November 16, 2023

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
/S/ TONY PROPHET Tony Prophet	Director	November 16, 2023
/S/ EMILY ROLLINS Emily Rollins	Director	November 16, 2023
/S/ SIMON SEGARS Simon Segars	Director	November 16, 2023
/S/ ANJALI SUD Anjali Sud	Director	November 16, 2023
/S/ AVADIS TEVANIEN, JR. Avadis Tevanian, Jr.	Director	November 16, 2023

Dolby Laboratories (NYSE: DLB) is based in San Francisco, California with offices around the globe. From movies and TV shows, to apps, music, sports, and gaming, Dolby transforms the science of sight and sound into spectacular experiences for billions of people worldwide. We partner with artists, storytellers, developers, and businesses to revolutionize entertainment and communications with Dolby Atmos, Dolby Vision, Dolby Cinema, and Dolby.io.

For more information, please visit: [www.dolby.com](http://www.dolby.com).

#### Executive Officers and Directors

**Kevin Yeaman**  
President, Chief Executive Officer,  
and Director

**Andy Sherman**  
Executive Vice President,  
General Counsel, and Corporate Secretary

**Robert Park**  
Senior Vice President and  
Chief Financial Officer

**John Couling**  
Senior Vice President, Entertainment

**Todd Pendleton**  
Senior Vice President and  
Chief Marketing Officer

**Shriram Revankar**  
Senior Vice President,  
Advanced Technology Group

#### Outside Directors

**Peter Gotcher**  
Chairman of the Board of Directors

**Micheline Chau**

**David Dolby**

**Tony Prophet**

**Emily Rollins**

**Simon Segars**

**Anjali Sud**

**Avadis Tevanian, Jr.**

#### Investor Relations

Dolby Laboratories, Inc.  
1275 Market Street  
San Francisco, CA 94103-1410  
<http://investor.dolby.com>  
[investorrelations@dolby.com](mailto:investorrelations@dolby.com)

#### Transfer Agent and Registrar

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078  
800-587-3984  
[www.computershare.com/investor](http://www.computershare.com/investor)

#### Legal Counsel

Wilson Sonsini Goodrich & Rosati,  
Professional Corporation  
Palo Alto, CA

#### Public Accounting

KPMG LLP  
San Francisco, CA

#### Class A Common Stock

Listed on the New York Stock Exchange  
under stock symbol DLB

A copy of Dolby's Annual Report on Form  
10-K may be ordered, viewed, or  
downloaded at <http://investor.dolby.com>.



Investor Relations  
Dolby Laboratories, Inc.  
dolby.com

1275 Market Street  
San Francisco, CA 94103-1410 USA  
T 415-558-0200 F 415-645-4000

