

# DOLBY LABORATORIES

## Investor Relations Data Sheet

### Unaudited

All dollar amounts are in thousands

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
<b>Revenue Data</b>						
Licensing	\$ 232,699	\$ 241,617	\$ 278,106	\$ 213,370	\$ 965,792	\$ 258,016
Products	28,211	20,713	22,569	23,797	95,290	24,933
Services	5,357	5,144	4,990	4,881	20,372	4,848
<b>Total Revenue</b>	<b>\$ 266,267</b>	<b>\$ 267,474</b>	<b>\$ 305,665</b>	<b>\$ 242,048</b>	<b>\$ 1,081,454</b>	<b>\$ 287,797</b>
Total Revenue growth % (year-over-year)	11 %	(3)%	10 %	4 %	5 %	8 %
Total Revenue growth % (quarterly sequential)	14 %	0 %	14 %	(21)%	n/a	19 %
Broadcast Licensing	46 %	44 %	37 %	48 %	44 %	40 %
PC Licensing	15 %	15 %	17 %	14 %	15 %	10 %
Consumer Electronics Licensing	12 %	15 %	14 %	12 %	13 %	11 %
Mobile Licensing	10 %	11 %	20 %	9 %	13 %	23 %
Other Licensing	17 %	15 %	12 %	17 %	15 %	16 %
<b>Total Licensing</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>
Licensing Revenue growth % (year-over-year)	10 %	(3)%	10 %	5 %	5 %	11 %
Licensing Revenue growth % (quarterly sequential)	14 %	4 %	15 %	(23)%	n/a	21 %
<b>Selected Operating Expenses as % of Revenue</b>						
GAAP Research and Development	22 %	22 %	20 %	24 %	22 %	20 %
Non-GAAP Research and Development	20 %	20 %	18 %	22 %	20 %	18 %
GAAP Sales and Marketing	27 %	28 %	24 %	32 %	27 %	24 %
Non-GAAP Sales and Marketing	24 %	25 %	22 %	29 %	25 %	22 %
GAAP General and Administrative	16 %	16 %	15 %	18 %	16 %	17 %
Non-GAAP General and Administrative	14 %	14 %	13 %	16 %	14 %	14 %
<b>Margins</b>						
GAAP gross margin: Licensing	96.5 %	96.4 %	95.4 %	95.5 %	95.9 %	96.4 %
Non-GAAP gross margin: Licensing	97.0 %	96.8 %	95.7 %	95.8 %	96.3 %	96.7 %
GAAP gross margin: Products	37.2 %	32.5 %	33.9 %	38.5 %	35.7 %	31.7 %
Non-GAAP gross margin: Products	42.6 %	39.6 %	40.6 %	43.3 %	41.7 %	35.1 %
GAAP gross margin: Services	23.0 %	18.5 %	9.8 %	(2.7)%	12.5 %	5.5 %
Non-GAAP gross margin: Services	25.5 %	20.9 %	12.3 %	(0.1)%	15.0 %	7.9 %
GAAP gross margin: Overall	88.7 %	89.9 %	89.5 %	87.9 %	89.1 %	89.3 %
Non-GAAP gross margin: Overall	89.8 %	90.9 %	90.2 %	88.7 %	89.9 %	89.8 %
GAAP operating margin (see footnote 1)	25 %	24 %	31 %	10 %	23 %	29 %
Non-GAAP operating margin (see footnote 1)	33 %	31 %	37 %	23 %	31 %	36 %
<b>Other Data</b>						
GAAP effective tax rate	20.8 %	23.4 %	20.9 %	17.2 %	21.1 %	196.0 %
Non-GAAP effective tax rate	22.4 %	24.1 %	22.0 %	19.4 %	22.2 %	20.0 %
Capital Expenditures	\$ 22,576	\$ 28,654	\$ 30,438	\$ 17,949	\$ 99,617	\$ 19,275
Cash, cash equivalents, and investments	\$ 1,028,016	\$ 1,054,305	\$ 1,143,601	\$ 1,189,138	\$ 1,189,138	\$ 1,152,498
Total employees	2,074	2,079	2,101	2,122	2,122	2,054
DSO	27	29	25	29	25	31

#### Footnotes:

1) Operating Margins above are calculated as Operating Income divided by Revenue.

#### Other Information:

• Minor rounding differences may exist as a result of the effect of rounding to the nearest dollar amount or percentage.

• These schedules have been derived from, and should be read in conjunction with, our financial statements in our reports on Forms 10-Q and 10-K which are filed with the SEC. Our Forms 10-Q may be viewed on our website at <http://investor.dolby.com/sec.cfm?DocType=Quarterly&Year=> and our Forms 10-K may be viewed on our website at <http://investor.dolby.com/sec.cfm?DocType=Annual&Year=>.

• To supplement Dolby's financial statements presented on a GAAP basis, Dolby provides certain non-GAAP financial measures to provide investors with an additional tool to evaluate Dolby's operating results in a manner that focuses on what Dolby's management believes to be its ongoing business operations. Specifically, we exclude the following as adjustments from one or more of our non-GAAP financial measures:

**Stock-based compensation expense** . Stock-based compensation, unlike cash-based compensation, utilizes subjective and complex assumptions in the methodologies used to value the various stock-based award types that we grant. These assumptions may differ from those used by other companies. To facilitate more meaningful comparisons between our underlying operating results and those of other companies, we exclude stock-based compensation expense.

**Expense associated with dividend equivalents paid on restricted stock units** . In connection with a special dividend declared in the first quarter of fiscal 2013, we modified restricted stock units (RSUs) that were invested at that time to preserve their pre-cash dividend economic value. The special dividend was a discrete and infrequent event that is not representative of our normal operating activities, therefore we exclude the compensation cost related to the dividend equivalents to provide a more accurate view of our underlying operating results.

**Amortization of acquisition-related intangibles** . We amortize intangible assets acquired in connection with acquisitions. These intangible assets consist of patents and technology, customer relationships and other intangibles. We record amortization charges relating to these intangible assets in our GAAP financial statements and view these charges as items arising from pre-acquisition activities that are determined by the timing and valuation of our acquisitions. As these amortization charges do not directly correlate to our operations during any particular period, and often remain unchanged between reporting periods, we exclude these charges to facilitate an evaluation of our current operating results and comparisons to our past operating performance.

**Restructuring charges** . Restructuring charges are costs associated with a formal restructuring plan and primarily relate to employee severance benefits and asset impairments. We exclude restructuring costs, including any adjustments to charges recorded in prior periods, as we believe that these costs are not representative of our normal operating activities and therefore, excluding these amounts enables a more effective comparison to our past operating performance.

**Income tax adjustments** . We believe that excluding the income tax effect of the aforementioned non-GAAP adjustments provides a more accurate view of our underlying operating results to management and investors.

**Impact from tax reform** . The enactment of Tax Reform requires estimates based on Dolby's current understanding of the new tax laws. These charges are a more result of a discrete and infrequent event that are not representative of current operating results and therefore, excluding these preliminary amounts enables a more effective comparison to our past operating performance.

Using the aforementioned adjustments, Dolby provides various non-GAAP financial measures including, but not limited to: non-GAAP net income, non-GAAP diluted earnings per share, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating margin, and non-GAAP effective tax rate. Dolby's management believes it is useful for itself and investors to review both GAAP and non-GAAP measures in order to assess the performance of Dolby's business. Dolby's management does not itself, nor does it suggest that investors should, consider non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Whenever Dolby uses non-GAAP financial measures, it provides a reconciliation of the non-GAAP financial measures to the most closely applicable GAAP financial measures. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures as detailed above. Investors are also encouraged to review Dolby's GAAP financial statements as reported in its US Securities and Exchange Commission (SEC) filings. A reconciliation between GAAP and non-GAAP financial measures is provided on the following page(s).

# DOLBY LABORATORIES

## Non-GAAP Percentage Reconciliation Unaudited

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017	Q1 2018
<b>Selected Operating Expenses as % of Revenue</b>						
GAAP Research and Development	22 %	22 %	20 %	24 %	22 %	20 %
Stock-based compensation	(2)%	(2)%	(2)%	(2)%	(2)%	(2)%
Amortization of acquired intangibles	—%	—%	—%	—%	—%	—%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP Research and Development	20 %	20 %	18 %	22 %	20 %	18 %
GAAP Sales and Marketing	27 %	28 %	24 %	32 %	27 %	24 %
Stock-based compensation	(2)%	(2)%	(2)%	(3)%	(2)%	(2)%
Amortization of acquired intangibles	(1)%	(1)%	—%	—%	—%	(0)%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP Sales and Marketing	24 %	25 %	22 %	29 %	25 %	22 %
GAAP General and Administrative	16 %	16 %	15 %	18 %	16 %	17 %
Stock-based compensation	(2)%	(2)%	(2)%	(2)%	(2)%	(3)%
Amortization of acquired intangibles	—%	—%	—%	—%	—%	—%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP General and Administrative	14 %	14 %	13 %	16 %	14 %	14 %
<b>Margins</b>						
GAAP gross margin: Licensing	96.5%	96.4%	95.4%	95.5%	95.9 %	96.4%
Amortization of acquired intangibles	0.5%	0.4%	0.3%	0.3%	0.4 %	0.3%
Non-GAAP gross margin: Licensing	97.0%	96.8%	95.7%	95.8%	96.3 %	96.7%
GAAP gross margin: Products	37.2%	32.5%	33.9%	38.5%	35.7 %	31.7%
Stock-based compensation	0.9%	1.1%	1.0%	1.0%	1.0 %	1.0%
Amortization of acquired intangibles	4.5%	6.0%	5.7%	3.8%	5.0 %	2.4%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP gross margin: Products	42.6%	39.6%	40.6%	43.3%	41.7 %	35.1%
GAAP gross margin: Services	23.0%	18.5%	9.8%	(2.7)%	12.5 %	5.5%
Stock-based compensation	2.5%	2.4%	2.5%	2.6%	2.5 %	2.4%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP gross margin: Services	25.5%	20.9%	12.3%	(0.1)%	15.0 %	7.9%
GAAP gross margin: Overall	88.7%	89.9%	89.5%	87.9%	89.1 %	89.3%
Stock-based compensation	0.2%	0.1%	0.1%	0.2%	0.1 %	0.1%
Amortization of acquired intangibles	0.9%	0.9%	0.6%	0.6%	0.7 %	0.4%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Non-GAAP gross margin: Overall	89.8%	90.9%	90.2%	88.7%	89.9 %	89.8%
GAAP operating margin (see footnote 1)	25%	24%	31%	10%	23 %	29%
Stock-based compensation	7%	6%	5%	7%	6 %	7%
Amortization of acquired intangibles	1%	1%	1%	1%	1 %	0%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Restructuring charges, net	—%	—%	—%	5 %	1 %	(0)%
Non-GAAP operating margin (see footnote 1)	33%	31%	37%	23%	31 %	36%
<b>Other Data</b>						
GAAP effective tax rate	20.8 %	23.4 %	20.9 %	17.2 %	21.1 %	196.0 %
Stock-based compensation	1.4 %	0.6 %	1.0 %	1.2 %	0.9 %	7.1 %
Amortization of acquired intangibles	0.2 %	0.1 %	0.1 %	0.1 %	0.1 %	—%
RSU dividend equivalent	—%	—%	—%	—%	—%	—%
Restructuring charges, net	—%	—%	—%	0.9 %	0.1 %	—%
Tax Reform	—%	—%	—%	—%	—%	(183.1)%
Non-GAAP effective tax rate	22.4 %	24.1 %	22.0 %	19.4 %	22.2 %	20.0 %

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# DOLBY LABORATORIES

## Reconciliation of GAAP to Non-GAAP Financial Measures: Current Quarter

### Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended December 29, 2017								
	GAAP	Amortization of intangibles from business combinations	RSU dividend equivalent	Stock-based compensation	Restructuring	Tax Reform	Tax effect of Non-GAAP adjustments	Other	Non-GAAP
<b>Revenue:</b>									
Licensing	\$ 258,016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,016
Products	24,933	-	-	-	-	-	-	-	24,933
Services	4,848	-	-	-	-	-	-	-	4,848
Total revenue	287,797	-	-	-	-	-	-	-	287,797
<b>Cost of revenue:</b>									
Cost of licensing	9,259	(640)	-	-	-	-	-	-	8,619
Cost of products	17,035	(599)	-	(262)	-	-	-	-	16,174
Cost of services	4,582	-	-	(117)	-	-	-	-	4,465
Total cost of revenue	30,876	(1,239)	-	(379)	-	-	-	-	29,258
Gross margin	256,921	1,239	-	379	-	-	-	-	258,539
<b>Operating expenses:</b>									
Research and development	56,444	-	-	(4,877)	-	-	-	-	51,567
Sales and marketing	70,149	(677)	-	(5,951)	-	-	-	-	63,521
General and administrative	48,285	-	-	(7,476)	-	-	-	-	40,809
Restructuring charges/(credits)	(197)	-	-	-	(197)	-	-	-	-
Total operating expenses	174,681	(677)	-	(18,304)	(197)	-	-	-	155,897
Operating income	82,240	1,916	-	18,683	197	-	-	-	102,642
Interest income	3,781	-	-	-	-	-	-	-	3,781
Interest expense	(35)	-	-	-	-	-	-	-	(35)
Other income, net	(1,152)	-	-	-	-	-	-	-	(1,152)
Income before income taxes	84,834	1,916	-	18,683	197	-	-	-	105,236
Provision for income taxes	(166,312)	-	-	-	-	154,606	(9,300)	-	(21,006)
Net income (loss) including controlling interest	(81,478)	1,916	-	18,683	197	154,606	(9,300)	-	84,230
Less: net (income)/loss attributable to controlling interest	(144)	-	-	-	-	-	-	-	(144)
Net income (loss) attributable to Dolby Laboratories, Inc.	\$ (81,622)	\$ 1,916	\$ -	\$ 18,683	\$ 197	\$ 154,606	\$ (9,300)	-	\$ 84,086
<b>Net income per share:</b>									
Diluted	\$ (0.80)								\$ 0.79
<b>Weighted-average shares outstanding:</b>									
Diluted	102,552						3,782 (a)		106,334

### Notes:

(a) Dilutive equity awards

# DOLBY LABORATORIES

## Reconciliation of GAAP to Non-GAAP Financial Measures: Prior Quarter

### Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended December 30, 2016						
	GAAP	Amortization of intangibles from business combinations	RSU dividend equivalent	Stock-based compensation	Tax effect of Non-GAAP adjustments	Other (see notes)	Non-GAAP
<b>Revenue:</b>							
Licensing	\$ 232,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 232,699
Products	28,211	-	-	-	-	-	28,211
Services	5,357	-	-	-	-	-	5,357
Total revenue	266,267	-	-	-	-	-	266,267
<b>Cost of revenue:</b>							
Cost of licensing	8,121	(1,050)	-	-	-	-	7,071
Cost of products	17,720	(1,274)	(3)	(258)	-	-	16,185
Cost of services	4,126	-	(2)	(134)	-	-	3,990
Total cost of revenue	29,967	(2,324)	(5)	(392)	-	-	27,246
Gross margin	236,300	2,324	5	392	-	-	239,021
<b>Operating expenses:</b>							
Research and development	57,518	-	(49)	(4,930)	-	-	52,539
Sales and marketing	71,175	(1,471)	(58)	(6,867)	-	-	62,779
General and administrative	41,540	-	(40)	(5,026)	-	-	36,474
Restructuring charges/(credits)	-	-	-	-	-	-	-
Total operating expenses	170,233	(1,471)	(147)	(16,823)	-	-	151,792
Operating income	66,067	3,795	152	17,215	-	-	87,229
Interest income	1,814	-	-	-	-	-	1,814
Interest expense	(26)	-	-	-	-	-	(26)
Other income, net	(199)	-	-	-	-	-	(199)
Income before income taxes	67,656	3,795	152	17,215	-	-	88,818
Provision for income taxes	(14,082)	-	-	-	(5,848)	-	(19,930)
Net income including controlling interest	53,574	3,795	152	17,215	(5,848)	-	68,888
Less: net (income)/loss attributable to controlling interest	(200)	-	-	-	-	-	(200)
Net income attributable to Dolby Laboratories, Inc.	\$ 53,374	\$ 3,795	\$ 152	\$ 17,215	\$ (5,848)	\$ -	\$ 68,688
Net income per share:							
Diluted	\$ 0.51	0.04	\$ -	0.17	(0.06)	-	\$ 0.66
Weighted-average shares outstanding:							
Diluted	103,876						103,876