



Investor Relations Data Sheet
Unaudited

All dollar amounts are in thousands

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021
Revenue Data						
Licensing	\$ 257,683	\$ 328,865	\$ 235,125	\$ 256,904	\$ 1,078,577	\$ 373,005
Products and services	34,194	22,950	11,784	14,287	\$ 83,215	16,869
Total Revenue	\$ 291,877	\$ 351,815	\$ 246,909	\$ 271,191	\$ 1,161,792	\$ 389,874
Total Revenue growth % (year-over-year)	(3)%	4 %	(18)%	(9)%	(6)%	34 %
Total Revenue growth % (quarterly sequential)	(2)%	21 %	(30)%	10 %	n/a	44 %
Broadcast Licensing	40 %	39 %	38 %	47 %	41 %	37 %
Mobile Licensing	13 %	23 %	33 %	15 %	21 %	28 %
Consumer Electronics Licensing	19 %	15 %	9 %	13 %	14 %	14 %
PC Licensing	12 %	14 %	10 %	12 %	12 %	9 %
Other Licensing	16 %	9 %	10 %	13 %	12 %	12 %
Total Licensing	100 %	100 %	100 %	100 %	100 %	100 %
Licensing Revenue growth % (year-over-year)	(1)%	6 %	(14)%	(3)%	(3)%	45 %
Licensing Revenue growth % (quarterly sequential)	(3)%	28 %	(29)%	9 %	n/a	45 %
Margins						
GAAP gross margin: Licensing	95.2 %	96.0 %	94.7 %	95.1 %	95.3 %	96.5 %
Non-GAAP gross margin: Licensing	95.4 %	96.3 %	94.9 %	95.3 %	95.6 %	96.7 %
GAAP gross margin: Products and services	27.0 %	(2.8)%	(46.9)%	(108.6)%	(15.0)%	(32.5)%
Non-GAAP gross margin: Products and services	29.7 %	3.0 %	(30.3)%	(98.6)%	(8.2)%	(23.3)%
GAAP gross margin: Overall	87.2 %	89.5 %	87.9 %	84.3 %	87.4 %	90.9 %
Non-GAAP gross margin: Overall	87.7 %	90.2 %	89.0 %	85.1 %	88.1 %	91.5 %
GAAP operating margin (see footnote 1)	17 %	30 %	14 %	11 %	19 %	42 %
Non-GAAP operating margin (see footnote 1)	25 %	37 %	25 %	20 %	27 %	49 %
Other Data						
GAAP effective tax rate	10.8 %	20.0 %	(68.5)%	21.8 %	3.4 %	14.5 %
Non-GAAP effective tax rate	18.3 %	20.2 %	(31.9)%	21.8 %	9.8 %	19.9 %
Capital expenditures	\$ 23,385	\$ 18,397	\$ 14,127	\$ 10,438	\$ 66,347	\$ 15,527
Free cash flow	\$ 7,774	\$ 47,343	\$ 120,161	\$ 102,224	\$ 277,502	\$ 66,633
Cash, cash equivalents, and investments	\$ 1,053,383	\$ 1,027,084	\$ 1,119,254	\$ 1,170,973	\$ 1,170,973	\$ 1,211,622
Payment of cash dividend	\$ 22,081	\$ 22,255	\$ 22,103	\$ 22,142	\$ 88,581	\$ 22,231
Repurchase of common stock	\$ 30,003	\$ 71,669	\$ 27,081	\$ 44,989	\$ 173,742	\$ 39,985
Shares repurchased	432,042	1,015,481	474,340	642,696	2,564,559	450,399
Total employees	2,231	2,250	2,268	2,289	2,289	2,296



Non-GAAP Percentage Reconciliation
Unaudited

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021
Margins						
GAAP gross margin: Licensing	95.2 %	96.0%	94.7%	95.1%	95.3 %	96.5%
Amortization of acquired intangibles	0.2 %	0.3%	0.2%	0.2%	0.3 %	0.2%
Non-GAAP gross margin: Licensing	95.4 %	96.3%	94.9%	95.3%	95.6 %	96.7%
GAAP gross margin: Products and services	27.0 %	(2.8)%	(46.9)%	(108.6)%	(15.0)%	(32.5)%
Stock-based compensation	1.6 %	2.2 %	4.3 %	3.6 %	2.5 %	3.7 %
Amortization of acquired intangibles	1.1 %	3.6 %	12.3 %	6.4 %	4.3 %	5.5 %
Non-GAAP gross margin: Products and services	29.7 %	3.0%	(30.3)%	(98.6)%	(8.2)%	(23.3)%
GAAP gross margin: Overall	87.2 %	89.5%	87.9%	84.3%	87.4 %	90.9%
Stock-based compensation	0.2 %	0.2%	0.2%	0.2%	0.2 %	0.2%
Amortization of acquired intangibles	0.3 %	0.5%	0.9%	0.6%	0.5 %	0.4%
Non-GAAP gross margin: Overall	87.7 %	90.2%	89.0%	85.1%	88.1 %	91.5%
GAAP operating margin (see footnote 1)	17%	30%	14%	11%	19 %	42%
Stock-based compensation	7%	6%	9%	8%	7 %	7%
Amortization of acquired intangibles	1%	1%	1%	1%	1 %	1%
Restructuring charges, net	0%	0%	1%	0%	0 %	3%
Other operating income adjustments	–%	–%	–%	–%	–%	(4)%
Non-GAAP operating margin (see footnote 1)	25%	37%	25%	20%	27 %	49%
Other Data						
GAAP effective tax rate	10.8 %	20.0 %	(68.5)%	21.8 %	3.4 %	14.5 %
Stock-based compensation	7.6 %	0.4 %	29.9 %	0.3 %	6.1 %	5.4 %
Amortization of acquired intangibles	(0.1)%	(0.2)%	4.7 %	(0.3)%	0.3 %	(0.2)%
Restructuring charges, net	–%	–%	2.0 %	–%	–%	(0.6)%
Other	–%	–%	–%	–%	–%	0.8 %
Non-GAAP effective tax rate	18.3 %	20.2 %	(31.9)%	21.8 %	9.8 %	19.9 %



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

Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended December 25, 2020						
	GAAP	Stock-based compensation	Amortization of intangibles from business combinations	Restructuring	Tax effect of Non-GAAP adjustments	Other	Non-GAAP
Revenue:							
Licensing	\$ 373,005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,005
Products and services	16,869	-	-	-	-	-	16,869
Total revenue	389,874	-	-	-	-	-	389,874
Cost of revenue:							
Cost of licensing	12,946	-	(672)	-	-	-	12,274
Cost of products and services	22,358	(634)	(925)	-	-	-	20,799
Total cost of revenue	35,304	(634)	(1,597)	-	-	-	33,073
Gross margin	354,570	634	1,597	-	-	-	356,801
Operating expenses:							
Research and development	63,772	(7,933)	(127)	-	-	-	55,712
Sales and marketing	75,445	(9,796)	(757)	-	-	-	64,892
General and administrative	54,454	(7,950)	(26)	-	-	-	46,478
Gain on sale of assets (property)	(13,871)	-	-	-	-	13,871	-
Restructuring charges, net	10,023	-	-	(10,023)	-	-	-
Total operating expenses	189,823	(25,679)	(910)	(10,023)	-	13,871	167,082
Operating income	164,747	26,313	2,507	10,023	-	(13,871)	189,719
Interest income	974	-	-	-	-	-	974
Interest expense	(85)	-	-	-	-	-	(85)
Other income, net	1,326	-	-	-	-	-	1,326
Income before income taxes	166,962	26,313	2,507	10,023	-	(13,871)	191,934
Provision for income taxes	(24,272)	-	-	-	(13,949)	-	(38,221)
Net income including controlling interest	142,690	26,313	2,507	10,023	(13,949)	(13,871)	153,713
Less: net (income) attributable to controlling interest	(7,492)	-	-	-	-	7,074	(418)
Net income attributable to Dolby Laboratories, Inc.	\$ 135,198	\$ 26,313	\$ 2,507	\$ 10,023	\$ (13,949)	\$ (6,797)	\$ 153,295
Net income per share:							
Diluted	\$ 1.30	\$ 0.25	\$ 0.02	\$ 0.10	\$ (0.13)	\$ (0.06)	\$ 1.48
Weighted-average shares outstanding:							
Diluted	103,876						103,876



Reconciliation of GAAP to Non-GAAP Financial Measures: Previous Quarter

Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended December 27, 2019						
	GAAP	Stock-based compensation	Amortization of intangibles from business combinations	Restructuring	Tax effect of Non-GAAP adjustments	Other	Non-GAAP
Revenue:							
Licensing	\$ 257,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,683
Products and services	34,194	-	-	-	-	-	34,194
Total revenue	291,877	-	-	-	-	-	291,877
Cost of revenue:							
Cost of licensing	12,342	-	(599)	-	-	-	11,743
Cost of products and services	24,973	(543)	(393)	-	-	-	24,037
Total cost of revenue	37,315	(543)	(992)	-	-	-	35,780
Gross margin	254,562	543	992	-	-	-	256,097
Operating expenses:							
Research and development	57,650	(6,987)	(127)	-	-	-	50,536
Sales and marketing	95,118	(8,174)	(808)	-	-	-	86,136
General and administrative	52,529	(6,910)	(312)	-	-	-	45,307
Gain on sale of assets (property)	-	-	-	-	-	-	-
Restructuring charges, net	675	-	-	(675)	-	-	-
Total operating expenses	205,972	(22,071)	(1,247)	(675)	-	-	181,979
Operating income	48,590	22,614	2,239	675	-	-	74,118
Interest income	4,932	-	-	-	-	-	4,932
Interest expense	(72)	-	-	-	-	-	(72)
Other income, net	1,004	-	-	-	-	-	1,004
Income before income taxes	54,454	22,614	2,239	675	-	-	79,982
Provision for income taxes	(5,863)	-	-	-	(8,810)	-	(14,673)
Net income including controlling interest	48,591	22,614	2,239	675	(8,810)	-	65,309
Less: net (income) attributable to controlling interest	162	-	-	-	-	-	162
Net income attributable to Dolby Laboratories, Inc.	\$ 48,753	\$ 22,614	\$ 2,239	\$ 675	\$ (8,810)	\$ -	\$ 65,471
Net income per share:							
Diluted	\$ 0.47	\$ 0.22	\$ 0.02	\$ 0.01	\$ (0.08)	\$ -	\$ 0.64
Weighted-average shares outstanding:							
Diluted	103,078						103,078



Reconciliation of GAAP to Non-GAAP Financial Measures: Fiscal Second Quarter 2021

Unaudited

In millions, except per share amounts

Gross margin:		Q2 2021	
	%	\$ (calculated per revenue estimates)	
Estimated revenue (low - high end of range)		\$280 - \$310	
GAAP gross margin (low - high end of range)	88% - 89%	\$246 - \$276	
Stock-based compensation	0.4 %	1	
Amortization of acquired intangibles	0.6 %	2	
Non-GAAP gross margin (low - high end of range)	89% - 90%	\$249 - \$279	
Operating expenses:		Q2 2021	
GAAP operating expenses (low - high end of range)		\$200 - \$210	
Stock-based compensation		(24)	
Amortization of acquisition-related intangibles		(1)	
Non-GAAP operating expenses (low - high end of range)		\$175 - \$185	
Diluted earnings per share:		Q2 2021	
	Low	High	
GAAP diluted earnings per share	\$ 0.36	\$ 0.51	
Stock-based compensation	0.24	0.24	
Amortization of acquired intangibles	0.03	0.03	
Income tax adjustments	\$ (0.06)	\$ (0.06)	
Non-GAAP diluted earnings per share	\$ 0.57	\$ 0.72	
Shares used in computing diluted earnings per share	104	104	



Investor Relations Data Sheet Footnotes

Footnotes:

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

Forward-Looking Statements:

Certain statements in this IR Data Sheet, including, but not limited to, statements relating to Dolby's expected financial results for the second quarter of fiscal 2021, our ability to advance our long-term objectives, and future dividend payments are "forward-looking statements" that are subject to risks and uncertainties. These forward-looking statements are based on management's current expectations, and as a result of certain risks and uncertainties, actual results may differ materially from those projected. The following important factors, without limitation, could cause actual results to differ materially from those in the forward-looking statements: the potential impacts of the COVID-19 pandemic on Dolby's business operations, financial results, and financial position (including the impact to Dolby partners and disruption of the supply chain of consumer products; consumer demand for products that incorporate Dolby technologies; delays in the release of new products or services that contain Dolby technologies; delays in royalty reporting or delinquent payment by partners or licensees; the impact to the overall cinema market, including duration of cinema closures and resulting adverse impact to Dolby's revenue recognized on box-office sales and demand for cinema products and services; temporary Dolby office closures and other actions to protect Dolby's workforce; and macroeconomic conditions that affect discretionary spending and access to products that contain Dolby technologies); risks associated with trends in the markets in which Dolby operates, including the Broadcast, Mobile, Consumer Electronics, PC, Cinema, and Other Markets; the loss of, or reduction in sales by, a key customer or licensee; pricing pressures; risks that the continued shift in content distribution from optical disc-based and other traditional media to online and streaming media content could result in fewer devices with Dolby technologies or less revenue from such devices; risks relating to conducting business internationally, including trade restrictions and changes in diplomatic or trade relationships; risks relating to the expiration of patents; the timing of Dolby's receipt of royalty reports and payments from its licensees, including recoveries; changes in tax regulations; timing of revenue recognition under licensing agreements and other contractual arrangements; Dolby's ability to develop, maintain, and strengthen relationships with industry participants; Dolby's ability to develop and deliver innovative technologies in response to new and growing markets; competitive risks; risks associated with conducting business in China and other countries that have historically limited recognition and enforcement of intellectual property and contractual rights; risks associated with the health of the motion picture industry generally; Dolby's ability to increase its revenue streams and to expand its business generally, and to expand its business beyond audio technologies to other technologies; risks associated with acquiring and successfully integrating businesses or technologies; and other risks detailed in Dolby's SEC filings and reports, including the risks identified under the section captioned "Risk Factors" in our most recent annual report on Form 10-K. Dolby disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

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-filings> Group: Quarterly Filings and our Forms 10-K may be viewed on our website at <http://investor.dolby.com/sec-filings> Group: Annual Filings.
- 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.

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.

Other operating income adjustments. We are excluding a one-time gain on the sale of property, which was previously classified as held for sale, finalized during the first quarter of fiscal 2021. The property was 51% owned by our controlling interest, therefore 51% of the gain recognized has been attributed to our controlling interest.

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.