

# DOLBY LABORATORIES

## Investor Relations Data Sheet

### Unaudited

All dollar amounts are in thousands

	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>Revenue Data</b>											
Licensing	\$ 965,864	\$ 270,172	\$ 272,135	\$ 183,771	\$ 214,699	\$ 940,777	\$ 260,279	\$ 310,308	\$ 271,897	\$ 264,796	\$ 1,107,280
Products and services	114,313	29,355	27,587	31,009	25,872	113,823	42,097	27,950	30,262	34,031	134,340
<b>Total Revenue</b>	<b>\$ 1,080,177</b>	<b>\$ 299,527</b>	<b>\$ 299,722</b>	<b>\$ 214,780</b>	<b>\$ 240,571</b>	<b>\$ 1,054,600</b>	<b>\$ 302,376</b>	<b>\$ 338,258</b>	<b>\$ 302,159</b>	<b>\$ 298,827</b>	<b>\$ 1,241,620</b>
Total Revenue growth % (year-over-year)	5 %	3 %	1 %	(6)%	(9)%	(2)%	1 %	13 %	41 %	24 %	18 %
Total Revenue growth % (quarterly sequential)	n/a	13 %	0 %	(28)%	12 %	n/a	26 %	12 %	(11)%	(1)%	n/a
Broadcast Licensing	44 %	41 %	33 %	46 %	48 %	41 %	38 %	39 %	49 %	44 %	43 %
Mobile Licensing	15 %	22 %	25 %	11 %	1 %	16 %	13 %	22 %	17 %	17 %	17 %
Consumer Electronics Licensing	13 %	14 %	14 %	15 %	19 %	15 %	17 %	14 %	11 %	14 %	14 %
PC Licensing	13 %	8 %	16 %	9 %	12 %	11 %	9 %	13 %	9 %	9 %	10 %
Other Licensing	15 %	15 %	12 %	19 %	20 %	17 %	23 %	12 %	14 %	16 %	16 %
<b>Total Licensing</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</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)	5 %	6 %	(0)%	(9)%	(9)%	(3)%	(4)%	14 %	48 %	23 %	18 %
Licensing Revenue growth % (quarterly sequential)	n/a	14 %	1 %	(32)%	17 %	n/a	21 %	19 %	(12)%	(3)%	n/a
<b>Margins</b>											
GAAP gross margin: Licensing	95.9 %	96.6 %	96.1 %	93.4 %	95.1 %	95.5 %	95.6 %	94.8 %	95.1 %	93.7 %	94.8 %
Non-GAAP gross margin: Licensing	96.3 %	96.8 %	96.3 %	93.8 %	95.3 %	95.7 %	95.8 %	95.0 %	95.3 %	93.9 %	95.0 %
GAAP gross margin: Products and services	30.7 %	26.3 %	26.0 %	28.2 %	20.2 %	25.3 %	35.3 %	26.7 %	12.8 %	14.2 %	23.1 %
Non-GAAP gross margin: Products and services	36.1 %	29.6 %	29.4 %	31.2 %	23.8 %	28.7 %	37.8 %	30.4 %	16.3 %	18.9 %	26.7 %
GAAP gross margin: Overall	89.0 %	89.7 %	89.6 %	84.0 %	87.0 %	87.9 %	87.2 %	89.2 %	86.9 %	84.6 %	87.0 %
Non-GAAP gross margin: Overall	89.9 %	90.2 %	90.2 %	84.7 %	87.6 %	88.5 %	87.8 %	89.7 %	87.4 %	85.4 %	87.6 %
GAAP operating margin (see footnote 1)	23 %	31 %	28 %	(4)%	5 %	17 %	23 %	30 %	11 %	17 %	21 %
Non-GAAP operating margin (see footnote 1)	31 %	38 %	35 %	5 %	13 %	25 %	30 %	37 %	28 %	26 %	31 %
<b>Other Data</b>											
GAAP effective tax rate	18.8 %					78.4 %	(32.5)%	33.1 %	5.2 %	21.9 %	9.5 %
Non-GAAP effective tax rate	20.5 %					21.3 %	19.2 %	17.1 %	15.1 %	18.2 %	17.4 %
Capital expenditures	\$ 99,617	\$ 19,275	\$ 20,459	\$ 15,135	\$ 17,945	\$ 72,814	\$ 18,539	\$ 37,543	\$ 23,588	\$ 16,611	\$ 96,281
Free cash flow	\$ 278,176	\$ (2,126)	\$ 60,433	\$ 127,295	\$ 93,786	\$ 279,388	\$ 38,413	\$ 11,349	\$ 67,762	\$ 113,869	\$ 231,393
Cash, cash equivalents, and investments	\$ 1,189,138	\$ 1,152,499	\$ 1,208,078	\$ 1,268,084	\$ 1,283,983	\$ 1,283,983	\$ 1,167,772	\$ 1,084,577	\$ 1,048,649	\$ 1,095,943	\$ 1,095,943
Payment of cash dividend	\$ 57,059	\$ 16,377	\$ 16,579	\$ 16,640	\$ 16,559	\$ 66,155	\$ 19,573	\$ 19,462	\$ 19,283	\$ 19,178	\$ 77,496
Repurchase of common stock	\$ 100,000	\$ 29,993	\$ 5,000	\$ 55,487	\$ 59,990	\$ 150,470	\$ 112,545	\$ 85,335	\$ 88,632	\$ 54,073	\$ 340,585
Shares repurchased	2,025,470	493,884	77,705	896,689	912,822	2,381,100	1,642,107	1,318,250	1,405,065	902,187	5,267,609
Total employees	2,122	2,053	2,061	2,090	2,151	2,151	2,163	2,194	2,178	2,193	2,193

# DOLBY LABORATORIES

## Non-GAAP Percentage Reconciliation Unaudited

	FY 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
<b>Margins</b>											
GAAP gross margin: Licensing	95.9 %	96.6 %	96.1 %	93.4 %	95.1 %	95.5 %	95.6 %	94.8%	95.1%	93.7%	94.8 %
Amortization of acquired intangibles	0.4 %	0.2 %	0.2 %	0.4 %	0.2 %	0.2 %	0.2 %	0.2%	0.2%	0.2%	0.2 %
Non-GAAP gross margin: Licensing	96.3 %	96.8 %	96.3 %	93.8 %	95.3 %	95.7 %	95.8 %	95.0%	95.3%	93.9%	95.0 %
GAAP gross margin: Products and services	30.7 %	26.3 %	26.0 %	28.2 %	20.2 %	25.3 %	35.3 %	26.7 %	12.8 %	14.2 %	23.1 %
Stock-based compensation	1.3 %	1.3 %	1.4 %	1.3 %	1.5 %	1.4 %	1.2 %	1.4 %	1.4 %	1.2 %	1.3 %
Amortization of acquired intangibles	4.1 %	2.0 %	2.0 %	1.7 %	2.1 %	2.0 %	1.3 %	2.3 %	2.1 %	3.5 %	2.3 %
RSU dividend equivalent	0.0 %	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP gross margin: Products and services	36.1 %	29.6 %	29.4 %	31.2 %	23.8 %	28.7 %	37.8 %	30.4%	16.3%	18.9 %	26.7 %
GAAP gross margin: Overall	89.0 %	89.7 %	89.6 %	84.0 %	87.0 %	87.9 %	87.2 %	89.2%	86.9%	84.6%	87.0 %
Stock-based compensation	0.1 %	0.1 %	0.2 %	0.2 %	0.1 %	0.2 %	0.2 %	0.1%	0.1%	0.2%	0.1 %
Amortization of acquired intangibles	0.8 %	0.4 %	0.4 %	0.5 %	0.5 %	0.4 %	0.4 %	0.4%	0.4%	0.6%	0.5 %
RSU dividend equivalent	0.0 %	—%	—%	—%	—%	—%	—%	—%	—%	—%	—%
Non-GAAP gross margin: Overall	89.9 %	90.2 %	90.2 %	84.7 %	87.6 %	88.5 %	87.8 %	89.7%	87.4%	85.4%	87.6 %
GAAP operating margin (see footnote 1)	23 %	31%	28%	(4)%	5%	17 %	23%	30%	11%	17%	21 %
Stock-based compensation	6 %	6%	6%	8%	7%	7 %	6%	6%	6%	6%	6 %
Amortization of acquired intangibles	1 %	1%	1%	1%	1%	1 %	1%	1%	1%	1%	1 %
RSU dividend equivalent	0 %	0%	0%	0%	0%	—%	0%	—%	—%	0%	—%
Restructuring charges, net	1 %	0%	0%	0%	0%	(0)%	0%	0 %	10 %	2%	3 %
Non-GAAP operating margin (see footnote 1)	31 %	38%	35%	5%	13%	25 %	30%	37%	28%	26%	31 %
<b>Other Data</b>											
GAAP effective tax rate	18.8 %					78.4 %	(32.5)%	33.1 %	5.2 %	21.9 %	9.5 %
Stock-based compensation	1.3 %					4.6 %	4.5 %	1.2 %	4.5 %	2.4 %	2.9 %
Amortization of acquired intangibles	0.2 %					(0.2)%	(0.1)%	—%	0.2 %	—%	—%
RSU dividend equivalent	—%					—%	—%	—%	—%	—%	—%
Restructuring charges, net	0.2 %					—%	—%	—%	2.5 %	—%	—%
Tax Reform	—%					(61.5)%	47.3 %	(17.2)%	2.7 %	(6.1)%	5.0 %
Non-GAAP effective tax rate	20.5 %					21.3 %	19.2 %	17.1 %	15.1 %	18.2 %	17.4 %

# DOLBY LABORATORIES

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

### Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended September 27, 2019							Fiscal Year-to-Date Ended September 27, 2019						
	GAAP	Amortization of intangibles from business combinations	Stock-based compensation	Restructuring	Tax Reform	Tax effect of Non-GAAP adjustments	Non-GAAP	GAAP	Amortization of intangibles from business combinations	Stock-based compensation	Restructuring	Tax Reform	Tax effect of Non-GAAP adjustments	Non-GAAP
<b>Revenue:</b>														
Licensing	\$ 264,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,796	\$ 1,107,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,107,280
Products and services	34,031	-	-	-	-	-	34,031	134,340	-	-	-	-	-	134,340
Total revenue	298,827	-	-	-	-	-	298,827	1,241,620	-	-	-	-	-	1,241,620
<b>Cost of revenue:</b>														
Cost of licensing	16,770	(599)	-	-	-	-	16,171	57,531	(2,378)	-	-	-	-	55,153
Cost of products and services	29,190	(1,208)	(382)	-	-	-	27,600	103,323	(3,079)	(1,710)	-	-	-	98,534
Total cost of revenue	45,960	(1,807)	(382)	-	-	-	43,771	160,854	(5,457)	(1,710)	-	-	-	153,687
Gross margin	252,867	1,807	382	-	-	-	255,056	1,080,766	5,457	1,710	-	-	-	1,087,933
<b>Operating expenses:</b>														
Research and development	60,191	(127)	(5,335)	-	-	-	54,729	237,871	(215)	(23,191)	-	-	-	214,465
Sales and marketing	82,149	(1,293)	(5,785)	-	-	-	75,071	343,835	(4,219)	(28,137)	-	-	-	311,479
General and administrative	53,013	156	(5,498)	-	-	-	47,671	205,425	(1)	(23,542)	-	-	-	181,882
Restructuring charges, net	6,294	-	-	(6,294)	-	-	-	36,558	-	-	(36,558)	-	-	-
Total operating expenses	201,647	(1,264)	(16,618)	(6,294)	-	-	177,471	823,689	(4,435)	(74,870)	(36,558)	-	-	707,826
Operating income	51,220	3,071	17,000	6,294	-	-	77,585	257,077	9,892	76,580	36,558	-	-	380,107
Interest income	5,689	-	-	-	-	-	5,689	24,919	-	-	-	-	-	24,919
Interest expense	(64)	-	-	-	-	-	(64)	(170)	-	-	-	-	-	(170)
Other income, net	(594)	-	-	-	-	-	(594)	481	-	-	-	-	-	481
Income before income taxes	56,251	3,071	17,000	6,294	-	-	82,616	282,307	9,892	76,580	36,558	-	-	405,337
Provision for income taxes	(12,316)	-	-	-	-	(2,721)	(15,037)	(26,802)	-	-	-	(18,245)	(25,317)	(70,364)
Net income including controlling interest	43,935	3,071	17,000	6,294	-	(2,721)	67,579	255,505	9,892	76,580	36,558	(18,245)	(25,317)	334,973
Less: net (income) attributable to controlling interest	(17)	-	-	-	-	-	(17)	(354)	-	-	-	-	-	(354)
Net income attributable to Dolby Laboratories, Inc.	\$ 43,918	\$ 3,071	\$ 17,000	\$ 6,294	\$ -	\$ (2,721)	\$ 67,562	\$ 255,151	\$ 9,892	\$ 76,580	\$ 36,558	\$ (18,245)	\$ (25,317)	\$ 334,619
<b>Net income per share:</b>														
Diluted	\$ 0.43	\$ 0.03	\$ 0.17	\$ 0.06	\$ -	\$ (0.03)	\$ 0.66	\$ 2.44	\$ 0.09	\$ 0.73	\$ 0.35	\$ (0.17)	\$ (0.24)	\$ 3.20
<b>Weighted-average shares outstanding:</b>														
Diluted	102,945						102,945	104,572						104,572

# DOLBY LABORATORIES

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

### Unaudited

In thousands, except per share amounts

	Fiscal Quarter Ended September 28, 2018							Fiscal Year-to-Date Ended September 28, 2018						
	GAAP	Amortization of intangibles from business combinations	Stock-based compensation	Restructuring	Tax Reform	Tax effect of Non-GAAP adjustments	Non-GAAP	GAAP	Amortization of intangibles from business combinations	Stock-based compensation	Restructuring	Tax Reform	Tax effect of Non-GAAP adjustments	Non-GAAP
<b>Revenue:</b>														
Licensing	\$ 214,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,699	\$ 940,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 940,777
Products and services	\$ 25,872	-	-	-	-	-	25,872	113,823	-	-	-	-	-	113,823
Total revenue	240,571	-	-	-	-	-	240,571	1,054,600	-	-	-	-	-	1,054,600
<b>Cost of revenue:</b>														
Cost of licensing	10,603	(596)	-	-	-	-	10,007	42,583	(2,501)	-	-	-	-	40,082
Cost of products and services	20,656	(541)	(407)	-	-	-	19,708	84,979	(2,222)	(1,574)	-	-	-	81,183
Total cost of revenue	31,259	(1,137)	(407)	-	-	-	29,715	127,562	(4,723)	(1,574)	-	-	-	121,265
Gross margin	209,312	1,137	407	-	-	-	210,856	927,038	4,723	1,574	-	-	-	933,335
<b>Operating expenses:</b>														
Research and development	60,500	(127)	(5,029)	-	-	-	55,344	236,794	(257)	(19,515)	-	-	-	217,022
Sales and marketing	85,760	(677)	(6,731)	-	-	-	78,352	309,762	(2,708)	(24,997)	-	-	-	282,057
General and administrative	50,498	-	(5,606)	-	-	-	44,892	197,423	-	(25,163)	-	-	-	172,260
Restructuring credits, net	-	-	-	-	-	-	-	(446)	-	-	446	-	-	-
Total operating expenses	196,758	(804)	(17,366)	-	-	-	178,588	743,533	(2,965)	(69,675)	446	-	-	671,339
Operating income	12,554	1,941	17,773	-	-	-	32,268	183,505	7,688	71,249	(446)	-	-	261,996
Interest income	5,810	-	-	-	-	-	5,810	18,970	-	-	-	-	-	18,970
Interest expense	(47)	-	-	-	-	-	(47)	(198)	-	-	-	-	-	(198)
Other income, net	(464)	-	-	-	-	-	(464)	(5,903)	-	-	-	-	-	(5,903)
Income before income taxes	17,853	1,941	17,773	-	-	-	37,567	196,374	7,688	71,249	(446)	-	-	274,865
Provision for income taxes	9,001	-	-	-	(33,059)	10,149	(13,909)	(154,069)	-	-	-	104,540	(8,945)	(58,474)
Net income including controlling interest	26,854	1,941	17,773	-	(33,059)	10,149	23,658	42,305	7,688	71,249	(446)	104,540	(8,945)	216,391
Less: net (income) attributable to controlling interest	(138)	-	-	-	-	-	(138)	(559)	-	-	-	-	-	(559)
Net income attributable to Dolby Laboratories, Inc.	\$ 26,716	\$ 1,941	\$ 17,773	\$ -	\$ (33,059)	\$ 10,149	\$ 23,520	\$ 41,746	\$ 7,688	\$ 71,249	\$ (446)	\$ 104,540	\$ (8,945)	\$ 215,832
<b>Net income per share:</b>														
Diluted	\$ 0.25	\$ 0.02	\$ 0.16	\$ -	\$ (0.31)	\$ 0.10	\$ 0.22	\$ 0.39	\$ 0.07	\$ 0.67	\$ (0.00)	\$ 0.98	\$ (0.08)	\$ 2.02
<b>Weighted-average shares outstanding:</b>														
Diluted	106,794						106,794	106,978						106,978

**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-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.*
  - **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 unvested 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 the 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.*