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Dolby Laboratories Reports Third Quarter Fiscal 2019 Financial Results

San Francisco, August 1, 2019--Dolby Laboratories, Inc. (NYSE:DLB) today announced the Company's financial results for the third quarter (Q3) of fiscal 2019. For the third quarter, Dolby reported total revenue of \$302.2 million, compared to \$214.8 million for the third quarter of fiscal 2018.

“We continue to see Dolby experiences become increasingly available to more people around the world,” said Kevin Yeaman, President and CEO, Dolby Laboratories. “This quarter, Apple announced broader support for Dolby Vision and Dolby Atmos, and a number of our other partners expanded their adoption across TVs, sound bars, and PCs.”

Third quarter GAAP net income was \$39.6 million, or \$0.38 per diluted share, compared to GAAP net income of \$3.1 million, or \$0.03 per diluted share, for the third quarter of fiscal 2018. On a non-GAAP basis, third quarter net income was \$79.3 million, or \$0.76 per diluted share, compared to non-GAAP net income of \$18.8 million, or \$0.18 per diluted share, for the third quarter of fiscal 2018. A complete listing of Dolby's non-GAAP measures are described and reconciled to the corresponding GAAP measures at the end of this release.

As previously indicated, Dolby adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606) in the first quarter of fiscal 2019, and today's announced results and the financial outlook are presented in accordance with that new revenue standard. Dolby adopted ASC 606 using the full retrospective transition method, therefore all prior periods are also presented in accordance with the new revenue standard. Included at the end of this press release are financial results for fiscal 2017, fiscal 2018, and the four quarters of fiscal 2018, as adjusted in accordance with ASC 606.

Dividend

Today, Dolby announced a cash dividend of \$0.19 per share of Class A and Class B common stock, payable on August 20, 2019, to stockholders of record as of the close of business on August 12, 2019.

Stock Repurchase Program

Today, Dolby also announced that its Board of Directors has approved increasing the size of its stock repurchase program by \$350 million, bringing the amount available for future repurchases of the Company's Class A Common Stock to approximately \$415 million. Stock repurchases under this program may be made through open market transactions, negotiated purchases, or otherwise, at time and in such amounts as the Company considers appropriate.

Financial Outlook

Q4 Fiscal 2019

Dolby is providing the following estimates for its fourth quarter (Q4) of fiscal 2019:

- Total revenue will range from \$288 million to \$308 million
- Gross margin percentages will be approximately 86 percent on a GAAP basis and approximately 87 percent on a non-GAAP basis
- Operating expenses will be between \$199 million and \$203 million on a GAAP basis and between \$178 million and \$182 million on a non-GAAP basis
- Diluted earnings per share will be between \$0.45 and \$0.51 on a GAAP basis and between \$0.62 and \$0.68 on a non-GAAP basis
- Effective tax rate will be between 18 percent and 20 percent on both a GAAP and non-GAAP basis

Fiscal Year 2019

Dolby is providing the following estimates for its fiscal year 2019:

- Total revenue will range from \$1.23 billion to \$1.25 billion
- Gross margin percentages will be approximately 87 percent on a GAAP basis and approximately 88 percent on a non-GAAP basis
- Operating expenses will range from \$821 million to \$825 million on a GAAP basis and from \$708 million to \$712 million on a non-GAAP basis

- Effective tax rate for the year will be between 9 percent and 10 percent on a GAAP basis and between 17 and 18 percent on a non-GAAP basis

Conference Call Information

Members of Dolby management will lead a conference call open to all interested parties to discuss Q3 fiscal 2019 financial results for Dolby Laboratories at 2:00 p.m. PT (5:00 p.m. ET) on Thursday, August 1, 2019. Access to the teleconference will be available over the Internet from <http://investor.dolby.com/event-calendar> or by dialing 1-800-263-0877. International callers can access the conference call at 1-646-828-8143.

A replay of the call will be available from 5:00 p.m. PT on Thursday, August 1, 2019, until 9:00 p.m. PT on Thursday, August 8, 2019, by dialing 1-844-512-2921 (international callers can access the replay by dialing 1-412-317-6671) and entering the confirmation code 3638302. An archived version of the teleconference will also be available on the Dolby website, <http://investor.dolby.com/event-calendar>.

Non-GAAP Financial Information

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 we 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 restructuring plans and primarily relate to costs associated with exit or disposal activities, 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 the U.S. Tax Cuts and Jobs Act (Tax Reform), and any related amendments or revisions, requires certain discrete and infrequent charges that are not representative of current operating results and therefore, excluding these 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 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 at the end of this press release and on the Dolby investor relations website, <http://investor.dolby.com>.

Forward-Looking Statements

Certain statements in this press release, including, but not limited to, statements relating to Dolby's expected financial results for Q4 fiscal 2019 and fiscal 2019, 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: 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 associated with the rate at which OEMs include optical disc playback in Windows® devices and the rate of consumer adoption of Windows operating systems; risks that a shift from disc-based media to online media content could result in fewer devices with Dolby technologies; risks associated with the effects of macroeconomic conditions, including trends in consumer spending; 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 back payments; the impact of Tax Reform; 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 its most recent quarterly report on Form 10-Q. Dolby disclaims any obligation to update information contained in these forward-looking statements whether as a result of new information, future events, or otherwise.

About Dolby Laboratories

Dolby Laboratories (NYSE:DLB) is based in San Francisco with offices in over 20 countries around the globe. Dolby transforms the science of sight and sound into spectacular experiences. Through innovative research and engineering, we create breakthrough experiences for billions of people worldwide through a collaborative ecosystem spanning artists, businesses, and consumers. The experiences people have - with Dolby Cinema, Dolby Vision, Dolby Atmos, Dolby Audio, Dolby Dimension, and Dolby Voice - revolutionize entertainment and communications at the cinema, on the go, in the home, and at work.

Dolby, Dolby Atmos, Dolby Audio, Dolby Cinema, Dolby Dimension, Dolby Vision, Dolby Voice, and the double-D symbol are among the registered and unregistered trademarks of Dolby Laboratories, Inc. in the United States and/or other countries. Other trademarks remain the property of their respective owners. DLB-F



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