DOLBY

2021 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 24, 2021

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	**90-0199783**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1275 Market Street San Francisco California	**94103-1410**
(Address of principal executive offices)	**(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. ☒

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of March 26, 2021 was $5.7 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 at March 26, 2021. This calculation does not reflect a determination that such persons are affiliates for any other purposes. On October 29, 2021, the registrant had 65,073,727 shares of Class A common stock, par value $0.001 per share, and 36,086,779 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 2022 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 24, 2021. 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.

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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:

Abbreviation	Term
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
ASP	Average Selling Price
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
COGS	Cost Of Goods Sold
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
ESP	Estimated Selling Price
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
HTIB	Home Theater In-A-Box
IC	Integrated Circuit
IMB	Integrated Media Block
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; 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," or similar expressions indicates a forward-looking statement. Such forward-looking statements are based on management's reasonable and current assumptions and expectations. Actual results may differ materially from those discussed in these forward-looking statements due to a number of factors, including the risks set forth in Item 1A, "Risk Factors" and key challenges set forth in 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 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 and communications for content playback in movies, TV, music and gaming. 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, and home entertainment devices. Today, we derive the majority of our revenue from licensing our audio technologies. We also derive revenue from licensing our consumer imaging and communication technologies, as well as audio and imaging technologies for premium cinema offerings in collaboration with exhibitors. In addition, we provide products and services for a variety of applications in the cinema, broadcast, and communications markets, and offer media processing and interactivity APIs through our developer platform, Dolby.io.

COVID-19

Please refer to the Executive Summary section of Part II, Item 7 "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for information concerning the continuing effect of COVID-19 on our business.

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

Expanding the Reach of our Technologies. With the launch of our developer platform, Dolby.io, we are expanding our addressable market to enhance a broader range of content, by enabling developers to build high quality, interactive, and media centric applications.

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.

	Fiscal Year Ended		
Revenue	**September 24, 2021**	**September 25, 2020**	**September 27, 2019**
Licensing	95%	93%	89%
Products and services	5%	7%	11%
Total	**100%**	**100%**	**100%**

We generate revenue from licensing arrangements with over 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, AVC, and HEVC, we jointly participate in patent licensing programs with other patent owners.

Technology	Description
AAC & HE-AAC	An advanced digital audio codec solution with higher 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.
Dolby Digital®	A digital audio coding technology that provides multichannel sound to a variety of media applications.
Dolby Digital Plus™	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.
Dolby Voice®	An audio communications technology with superior spatial perception, voice clarity, and background noise reduction that emulates the in-person meeting experience.
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 our licensing business and revenue for all periods presented:

	Fiscal Year Ended			
Market	**September 24, 2021**	**September 25, 2020**	**September 27, 2019**	**Main Offerings Incorporating Our Technologies**
Broadcast	39%	41%	43%	Televisions and STBs
Mobile	22%	21%	17%	Smartphones and Tablets
CE	15%	14%	14%	DMAs, Blu-ray Disc devices, AVRs, Soundbars, and DVDs
PC	12%	12%	10%	Windows and macOS operating systems
Other	12%	12%	16%	Gaming consoles, Auto DVD, Dolby Cinema, and Dolby Voice
Total	**100%**	**100%**	**100%**	

We have various licensing models: a two-tier model, an integrated licensing model, a patent licensing model, 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 implementations, 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 through patent pools which are arrangements between multiple patent owners to jointly offer and license pooled patents to licensees. We also license our patents directly to manufacturers that use our IP in their products. Finally, we generate service fees for managing patent pools on behalf of third party patent owners through our wholly-owned subsidiary, Via Licensing Corporation ("Via"). By aggregating and offering pooled IP, patent pools deliver efficiencies that reduce transactional costs for both IP owners and licensees. The Via patent pools enable product manufacturers to efficiently and transparently secure patent licenses for audio coding, interactive television, digital radio, and wireless technologies. We offer our patents related to AAC, AVC, HE-AAC, HEVC, and other IP through a combination of patent pools and licensing directly to OEMs.

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.

Dolby Voice: Historically, we have entered into arrangements with audio and video conferencing providers where, in return for licensing our IP and know-how, we earned revenue based on access to our technology and services. During the first quarter of fiscal 2021, we decided to exit our conferencing hardware business and shifted our focus towards expanding the availability of Dolby Voice technology through software solutions and services.

Products and Services

We design and manufacture audio and imaging 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 involve fixed or minimum amounts, which are typically included in products sales. We also sell and lease hardware that facilitates the Dolby conferencing experience, though at reduced levels since we decided to exit our conferencing hardware business in the first quarter of fiscal 2021.

Recently, we launched a developer platform, Dolby.io, that enables developers access to our technologies through APIs. These offerings currently include media processing APIs for analyzing and improving the sound of recorded audio files, and interactivity APIs for enabling developers to embed enhanced communications experiences within their applications. Over time, Dolby.io is intended to significantly expand the amount and types of content that can be enhanced through our technologies and capabilities.

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 playback digital cinema soundtracks including those using Dolby Atmos.
Other	Dolby Conference Phone	An integral hardware component of the Dolby Voice conferencing solution that enhances full-room voice capture, spatial voice separation, and playback.
	Dolby Voice Room	Video conferencing solution for huddle rooms and conference rooms that combines a camera product with the Dolby Conference Phone and Dolby Voice technology.
	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, accessibility solutions for hearing and visually impaired consumers, and Dolby.io.

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 24, 2021, we had approximately 15,500 issued patents and approximately 4,000 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 DVD players (but not Blu-ray players), TVs, and STBs. 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 1,400 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 China, Taiwan, and India, we have only limited patent protection for our Dolby technologies. Consequently, we may realize less revenue from those regions in the future. Maintaining or growing our licensing revenue in developing countries such as China, Taiwan, and India will depend in part on our ability to obtain patent rights in these 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 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 next generation of audio coding technology that has been adopted for implementation in certain regions by worldwide standards organizations including the DVB and ATSC. AC-4 has also been adopted or proposed in forthcoming regional and country standards in North America, Europe, and Latin America. The transition for AC-4 continues to gain momentum, and is already being supported in a number of TVs that are available worldwide from major manufacturers.

In addition, Dolby technologies have become 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.
- In mobile devices, HE-AAC is specified for various applications in the 3GPP suite of standards, and is a de facto audio standard in entertainment 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.

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.

R&D expenses included in our consolidated statements of operations were as follows (in thousands):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Research and Development	$253,640	$239,045	$237,871

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. Although we have some manufacturing facilities, 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 and communications experiences. We sell our solutions primarily using an internal sales organization to various customers in the markets where we operate. 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 maintain more than 20 sales offices in key regions around the globe. S&M expenses included in our consolidated statements of operations were as follows (in thousands):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Sales and Marketing	$332,671	$335,933	$343,835

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 and communications industries 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 broadcasting, mobile, consumer entertainment, PC, gaming, cinema, and communications 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, based on their individual experiences and perspectives, to our common efforts and make a positive impact through their roles.

Our efforts fall into three areas of ongoing engagement: Our People, Our World, and Our Company. Details of this work are available in our Sustainability Report, and we encourage you to read it on our website and learn more.

As of September 24, 2021, we had 2,368 employees worldwide, of whom 1,120 employees were based outside of the U.S. None of our employees are subject to a collective bargaining agreement.

Our People

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 mental well-being programs to include therapy and access to wellness coaching, mindfulness training and live community sessions.

Throughout COVID-19, we enacted business strategies to support the health and safety of our employees and enable business continuity. We focused on implementing practices within all our offices to enable connection and effective work delivery in a full remote environment. Dolby employees have remained highly engaged. In a company-wide survey in September 2021, Motivation & Commitment scores indicate that we remain highly connected to our work and each other. We are actively preparing for the future of work at Dolby which will be a blend between in person and remote work.

Diversity, Inclusion and Belonging ("DIB")

We're committed to being a part of creating a more equitable world. Different backgrounds, perspectives, and beliefs bring critical value to our business, and we're driven by the knowledge that diverse talent enhances our ability to imagine, innovate, and grow.

To invest in the talent of the future, we provide financial contributions, employee engagement, and in-kind support of science, technology, engineering, arts, and mathematics education and workforce initiatives at the K-12, university, and early-career levels and are engaged in strategic partnerships with universities to help develop the next generation of diverse talent at Dolby.

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 with the goal of becoming more aware and more empathetic to others' 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, employee-led Employee Network ("EN") events, and company-led DIB programs. Our EN community encompasses 13 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 are accountable to 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. Nothing in our Sustainability Report shall be deemed incorporated by reference into this Annual Report on Form 10-K.

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 employee stock purchase program, 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.

Our World

Social Impact

Through our Dolby Cares program, 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 tutoring youth and mentoring adults reentering the workforce, to delivering meals to seniors or providing legal services through our legal pro-bono program, our employees are making our communities stronger. We also partner with educational organizations in our local communities around the world, including Bay Area Video Coalition, Girls Who Code, Greene Scholars, IGNITE Worldwide, Inneract Project and others to organize volunteer opportunities. Our educational efforts are intended to share Dolby's experiences, ideas and approaches from our unique position at the intersection of science, technology and art.

Our Company

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.

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. 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. 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.

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

COVID-19

COVID-19, including the spread of the newer Delta variant, has had and will continue to have an adverse impact on our operations and financial performance. COVID-19 continues to impact several of our partners and has resulted in disruption of the supply chain of consumer products and delays in shipments, product development and product launches. In addition, consumer demand for certain products that include our technologies has been, and we expect to continue to be, negatively impacted due to economic uncertainty from COVID-19 and a decline in discretionary spending by consumers. These factors have impacted revenue pertaining to customer-shipment royalties. Further, these factors have and may continue to result in delays in the release of new products or services that contain our technologies by partners and licensees. These factors may also result in delays in royalty reporting by partners and licensees, and in cases where a partner or licensee's financial condition has significantly worsened, we may have difficulty collecting or be unable to collect amounts owed to us. In addition, we have experienced heightened demand for certain consumer products that feature our technologies, including TVs and PCs, during the pandemic. It is unclear how demand for these products may change relative to demand levels during the pandemic.

The overall cinema market has been, and we expect to continue to be, adversely impacted by COVID-19 social distancing recommendations. At various times, our exhibition partners and customers have had to either partially or fully discontinue operations. This has resulted, and we expect will continue to result, in a significant reduction in box office receipts at Dolby Cinema sites and lower demand for our cinema products and services. Most cinema locations have been permitted to resume operations, but many such locations are operating under restricted capacity.

Further, the spread of Delta or other variants may result in renewed social distancing mandates or shutdowns. The situation is continuing to evolve, and we cannot predict how or to what extent the cinema market, or other markets we target, may be impacted.

The spread of COVID-19 has caused us to modify our business practices (including temporary office closures, restricting employee travel, enabling and encouraging remote work, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, licensees, partners, and community. These actions may adversely impact our productivity and cause delays on new and existing projects. Such delays may negatively impact our revenue. Further, there is no certainty that the measures we have taken or will take will be sufficient to mitigate the risks posed by the virus to the well-being and productivity of our workforce.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted with any certainty, including, but not limited to, the duration and extent of the pandemic, its severity, the rate and extent of vaccine distributions to the general population and other actions to contain the virus or its impact, additional subsequent outbreaks and variant strains, and how quickly and to what extent normal economic and operating conditions can resume.

Even after COVID-19 has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur. Specifically, difficult macroeconomic conditions, such as decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of COVID-19, could have a continuing adverse effect on demand for products and services that contain our technologies as well as limited or significantly reduced points of access to such products and services.

Markets We Target

Dependence on Sales by Licensees. 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 require 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.

Trends in Media Content Distribution. For many years, a large portion of media content distribution has been through optical disc media, such as DVD and Blu-ray Disc, and cable and satellite television providers. However, the rapid advancement of online and mobile content delivery has resulted in a trend toward downloading and streaming services, resulting in decreased royalty revenue in certain of our end device markets.

The shift away from optical disc media to has resulted in a decline in revenue from the sale of devices that include DVD and Blu-ray Disc players. For example, the number of PCs that include optical disc drives has decreased significantly in recent years. Because PC OEMs are required to pay us a higher per-unit royalty for Windows PCs that include optical disc playback functionality than Windows PCs that do not include such functionality, further decreases in inclusion of optical disc drives in PCs will result in lower per-unit royalties.

Further, consumers in certain markets are shifting 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.

Mobile Industry Risks. 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 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 order to increase the value of our technologies in the mobile market, we have worked with online and mobile media content service providers to encode their content with our technologies, which could affect OEM and software vendor demand for our decoding 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, COVID-19 may adversely impact consumer demand for mobile devices, the ability of our partners to manufacture such devices, impacts to supply chain and distribution, timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products.

PC Industry Risks. Revenue from our PC market depends on several factors, including underlying PC unit shipment growth, the extent to which our technologies are included on computers, including through operating systems, the inclusion of optical disc drives or otherwise, 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. COVID-19 may also adversely impact consumer demand for PCs, PC manufacturing, supply chain and distribution, timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products.

Cinema Industry Risks. Revenue from Dolby Cinema and cinema product sales is subject to the pace of construction or upgrade of screens, the advent of new or competing technologies, the willingness of movie studios to produce films in our Dolby Atmos and Dolby Vision formats, consumer trends, box-office performance generally, and other events or conditions in the cinema industry. 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 have collaborations 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 are 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 depends in large part on our ability to differentiate our offering, deploy new sites 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. These factors are subject to increased risk due to COVID-19, including related social distancing restrictions, delays in cinematic releases, shortened theatrical release windows, temporary suspensions of production of future releases, delay in royalty and other payments and solvency of our exhibitor partners. Further, it remains uncertain when cinemas will return to full capacity and how quickly moviegoers will return to theaters.

Our revenue and associated demand from cinema product sales is dependent upon industry and economic cycles, which are subject to risks including delays in cinematic releases and reduced operating capacity related to COVID-19, along with 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 the China market, which is subject to economic risks as well as geo-political risks. Furthermore, future growth of our cinema products business 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 we do not make progress in these areas, or are faced with pricing pressures, competing technologies, or other global macroeconomic challenges our revenue may be adversely impacted.

Customers and Distributors

Loss of Key Licensee or Customer. A small number of our licensees or customers may represent a significant percentage of our licensing, products, or services revenue. Although we generally have agreements with these licensees or 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. As a result of our increased presence across consumer electronic device markets where our technologies are not mandated and are subject to significant competition, the risk that a large licensee may reduce or eliminate its use of our technologies has increased.

Reliance on Semiconductor Manufacturers and Availability of Semiconductor Components. Our licensing revenue from 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 related to COVID-19 have resulted in shortages of semiconductor components and other key materials that may adversely impact the ability of our implementation and system licensees and customers to meet product demand in a timely fashion.

Consumer Spending Weakness. Weakness in general economic conditions may suppress consumer demand in our markets. 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. Weakness in general economic conditions may also lead to licensees and customers becoming delinquent on their obligations to us or being unable to pay, resulting in a higher level of write-offs. Economic conditions, including business slowdown caused by COVID-19, may increase underreporting and non-reporting of royalty-bearing revenue by our licensees as well as increase the unauthorized use of our technologies.

Reliance on Distributors. We rely significantly on a global network of independent, regional distributors to market and distribute our cinema, broadcast and voice products. Our distributor arrangements are non-exclusive and our distributors are not obligated to buy our products and can represent competing products, and 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

Importance of Brand Strength. 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 Voice for the communications market, Dolby Cinema, Dolby Vision and other imaging offerings for the consumer market, 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 entertainment, 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.

Industry Standards

The entertainment industry has historically depended upon industry standards to ensure compatibility 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. To have our products and technologies adopted as industry standards, 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. The market for broadcast technologies has traditionally been heavily based on industry standards, often 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 may alter the landscape for broadcast standards and impact the importance of inclusion in certain broadcast standards in the future, and we cannot predict if and to what extent this may impact our revenue.

Difficulty Becoming Incorporated in an Industry Standard. Standards-setting organizations establish technology standards for use in a wide range of consumer entertainment products. It can be difficult for companies to have their technologies adopted as an industry standard, as multiple companies, including ones that typically compete against one another, are involved in the development of new technology standards for use in entertainment-oriented 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.

Participants May Choose Among Alternative Technologies within Standards. Even when a standards-setting organization incorporates our technologies in an industry standard for a particular market, our technologies may not be the sole technologies adopted for that market. Furthermore, different standards may be adopted for different markets. 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.

Royalty Reporting

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.

Inaccurate Licensee Royalty Reporting. 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, we have difficulty independently determining 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, but 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. Further, as COVID-19 continues to impact our licensees, it may result in delays in royalty reporting or payment by some of our licensees.

Estimation of Sales-Based Royalties. 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.

Royalties We Owe Others. In some cases, the products we sell and the technologies we license to our customers 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 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. We are regularly involved in discussions with third party technology licensors regarding license terms. 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.

Our results of operations could be significantly affected to the extent that actual revenue differ 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.

TECHNOLOGY TRENDS AND DEVELOPMENTS

Technology Innovation. 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 defined 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 the market needs in a timely manner. 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.

Experience with New Markets and Business Models. Our future growth will depend, in part, upon our continued expansion into areas beyond our audio licensing business. Over the past few years, we have introduced Dolby Cinema, our branded-theater experience, Dolby Vision for the home and cinema markets, Dolby Voice technology for the communications market, and more recently, Dolby.io, our developer platform. In connection with entering into these new markets, we 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 to date in one or more of these markets could limit our ability to successfully execute on our growth strategy.

Incorporation of Dolby Formats into New Products and Availability of Content in Dolby Formats. 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 upon our ability to partner with movie theater exhibitors to launch new Dolby Cinema sites and deploy new sites in accordance with plans, as well as the continued release and box-office success of new films in the Dolby Vision and Dolby Atmos formats released through Dolby Cinemas. These factors are subject to increased risk due to COVID-19 and related government actions, including the shutdown of cinemas and other non-essential businesses, delay in royalty and other payments and solvency of our exhibitor partners.

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, including delays in release and distribution related to COVID-19 and the global response to COVID-19, 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 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.

Patent Royalties and Expiration. 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 the last patent covering that technology expires in a particular country. As of September 24, 2021, we had approximately 15,500 issued patents in addition to approximately 4,000 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 expand on our patent portfolio or refresh our technology with new patented inventions, our revenue could decline.

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 proprietary 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 technologies in a manner designed to reduce the chance that a system licensee would develop competing technologies that do not include any Dolby IP.

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 intellectual property 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 have declined and are 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. 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.

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.

Licensee Disputes. At times, we are engaged in disputes regarding the licensing of our IP rights, including matters related to our royalty rates 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.

U.S. and Foreign Patent Rights. 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 laws and regulations in the U.S. and abroad 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;
- Limited or no patent protection for our DD technologies in countries such as China, Taiwan, and India, which may require us to obtain patent rights for new and existing technologies in order to grow or maintain our revenue; 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. 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 the risk of delay caused by COVID-19 and related interruptions to the supply chain. We generally have no formal agreements in place with our suppliers for the continued supply of materials and components. 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.

Product Quality. Our products, and products that incorporate our technologies, are complex and sometimes contain undetected software or hardware errors, 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 and Production. 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.

Data Security. 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 hackers, malware, software bugs or other technical malfunctions, or other disruptions. If we use a vendor that stores information as part of its service or product offerings, we assess the security of such services prior to using the service. Nevertheless, our sensitive, confidential or proprietary information may be misappropriated by that vendor or others who may inappropriately access or exfiltrate that information from the vendor's system.

While we have taken a number of steps to protect our information technology systems (including physical access controls, encryption, and authentication technologies), the number and sophistication of malicious attacks that companies have experienced has increased over the past few years. Measures we have undertaken to protect our information technology systems (including physical access controls, encryption, and authentication technologies) may be unsuccessful in deterring or repelling malicious actors. In addition, because techniques used by hackers (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 response or the effectiveness of our response and impede our operations and ability to limit our exposure to third-party claims and other potential liability. Attacks on our systems are sometimes successful, and, in some instances, we might be unaware of an incident or its nature, magnitude and effects.

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 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, creating system disruptions or slowdowns and exploiting 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. We seek 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. In addition, despite the implementation of network security measures, our networks, or our vendors' networks, also may be vulnerable to computer viruses, malware, ransomware, cyber extortion, social engineering, denial of service, and other similar disruptions. 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.

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 and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the California Privacy Rights Act of 2020, or CPRA, which was approved by California voters in November 2020, amends and expands the California Consumer Privacy Act of 2018, or CCPA (which had required us to modify certain of our information practices and provide new disclosures to California consumers), by creating additional privacy rights for California consumers, establishing the California Privacy Protection Agency to enforce the new law, and imposing additional obligations on businesses. These new obligations, which will take effect on January 1, 2023 (with certain provisions having retroactive effect to January 1, 2022), 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 CCPA and CPRA 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, 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.

Pricing Pressures. 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. Retail prices for consumer entertainment products that include our sound technologies, such as DVD and Blu-ray players and 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.

Customers as Competitors. We face competitive risks in situations where our customers are also current or potential competitors. For example, Samsung and Technicolor are significant licensee customers, but are also competitors with respect to 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.

Competition from Other Audio Formats, Imaging Solutions, and Integrated System Offerings. We believe that the success we have had licensing our audio technologies is due, in part, to the perception that our technologies provide a high quality solution for multichannel audio and the strength of our brand. However, both free and proprietary sound technologies are becoming increasingly prevalent, and we expect competitors to continue to enter this field 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 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

Importance of 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, and OTT video service providers and video game publishers;
- Leading companies in the audio and video conferencing markets; 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. If we fail to maintain and strengthen these relationships, these entertainment industry participants may be less likely to purchase and use our technologies, products, and services, or create content incorporating our technologies. Industry relationships also play an important role in other markets we serve; for instance, our partner relationships in the audio and video conferencing markets are important to our communications business.

Consequences of M&A Activity. 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 sound 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, including delays related to COVID-19. 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. 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

International Business and Compliance. We are dependent on international sales for a substantial amount of our total revenue. Approximately 67%, 60% and 64% of our revenue was derived outside of the U.S. in fiscal 2021, 2020, and 2019, 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 of programming, technology, or components to or from the U.S., and those which may put restrictions or prohibitions on the exportation, reexportation, sale, shipment or other transfer of programming, technology, components, and/or services to foreign persons;
- Changes in trade relationships, including new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers;
- Tariffs imposed by the U.S. on goods from other countries or tariffs imposed by other countries on U.S. goods, including the tariffs imposed over the course of 2018 and 2019 by the U.S. government on various imports from China and by the Chinese government on certain U.S. goods, the scope and duration of which remain uncertain;
- Compliance with applicable international laws and regulations, including antitrust and other competition laws, 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 and/or economic stability of the regions in which we operate 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 of IP rights;

- Difficulties in enforcing contractual rights;
- Multi-jurisdictional data protection and privacy laws, including the European Union's General Data Protection Regulation and restrictions on transferring personally identifiable information outside of a jurisdiction;
- Political or social instability in the U.K. and Europe (including but not limited to uncertainty resulting from the Brexit referendum in the U.K.) and in Russia, the Middle East, North Africa, Latin America and other emerging markets;
- The global macroeconomic environment and potential slowing of key markets we serve; and
- Changes in the regulatory and compliance landscape resulting from COVID-19.

Any or all of these factors may impact 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 has requested information relating to our business practices in South Korea on various occasions, and has made findings regarding the audit of a single customer. We do not believe the outcome of this matter will have a material impact on our business or results of operations. 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.

Costs of Environmental Laws and Regulation. Our operations use substances 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, 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. For some products, substituting particular components containing regulated hazardous substances is 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.

Conflict Minerals. 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. This requirement could affect the sourcing, availability and pricing of materials used in our products 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. The SEC disclosure requirements could adversely affect the sourcing, supply and pricing of materials used in our products. As there may be only a limited number of suppliers that can certify to us that they are offering "conflict free" conflict minerals, we cannot be sure that we 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.

We may not be able to sufficiently verify the origins for the minerals used in our products. Our reputation may suffer if we determine that our products 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 products. 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.

Tax Rates and Liabilities. 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 receive significant tax benefits from a portion of our foreign sales, and 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; or
- 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.

The U.S. tax law changes enacted through the Tax Cuts and Jobs Act ("Tax Act") include provisions that affect our business. These provisions, their interpretations, and proposed changes to this law introduced by the Biden administration and a Democratic-controlled Congress 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. 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, such as the Netherlands, it is possible that in the future, these 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, but an adverse decision by tax authorities exceeding our reserves could significantly impact our financial results.

STOCK-RELATED ISSUES

Controlling Stockholder. At September 24, 2021, the Dolby family and their affiliates owned 382,928 shares of our Class A common stock and 36,012,733 shares of our Class B common stock. As of September 24, 2021, 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 84.7% 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.

Insider Sales of 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.

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, and the availability of funds necessary to continue purchasing stock. If we curtail our repurchase program, our stock price may be negatively affected.

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. Since the initial commencement of our dividend program, our Board of Directors has annually approved an increase to our cash dividend. 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

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. 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 geo- political 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. 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.

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 a competitive compensation package, including cash and equity compensation. Our equity awards include stock options and 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

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 or from whom we lease certain facilities located in California and the U.K. The lease for the facility in California expires in 2025. We own the remaining financial interests in these real estate entities. Our ownership interest in these consolidated affiliated entities, in addition to information regarding the location of the properties as of September 24, 2021 is summarized within the table below.

Entity Name	Minority Ownership Interest	Location Of Properties	Approximate Square Footage
Dolby Properties Burbank, LLC	49.0%	Burbank, California	22,000
Dolby Properties, LP	10.0%	Wootton Bassett, England	17,500

100 Potrero Avenue, San Francisco, California

Since 1980, we have leased a corporate office, warehouse space, and additional parking located at 100, 130, and 140 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 to sublease approximately 1,617 square feet of office space in the premises with prior notice to us, 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).

In fiscal 2019, we ceased occupancy of the leased space at 100, 130, and 140 Potrero Avenue, and do not intend to re-occupy those locations. 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 from time to time arising from 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 pending matters 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 possible to provide an estimated amount of any such potential losses.

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 29, 2021, there were 61 holders of record of our Class A common stock and 35 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, 2021, we announced a dividend in the amount of $0.25 per share, payable on December 8, 2021, to stockholders of record as of the close of business on November 30, 2021.

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 24, 2021 (in thousands):

Authorization Period	Authorization Amount
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
Total	**$2,350,000**

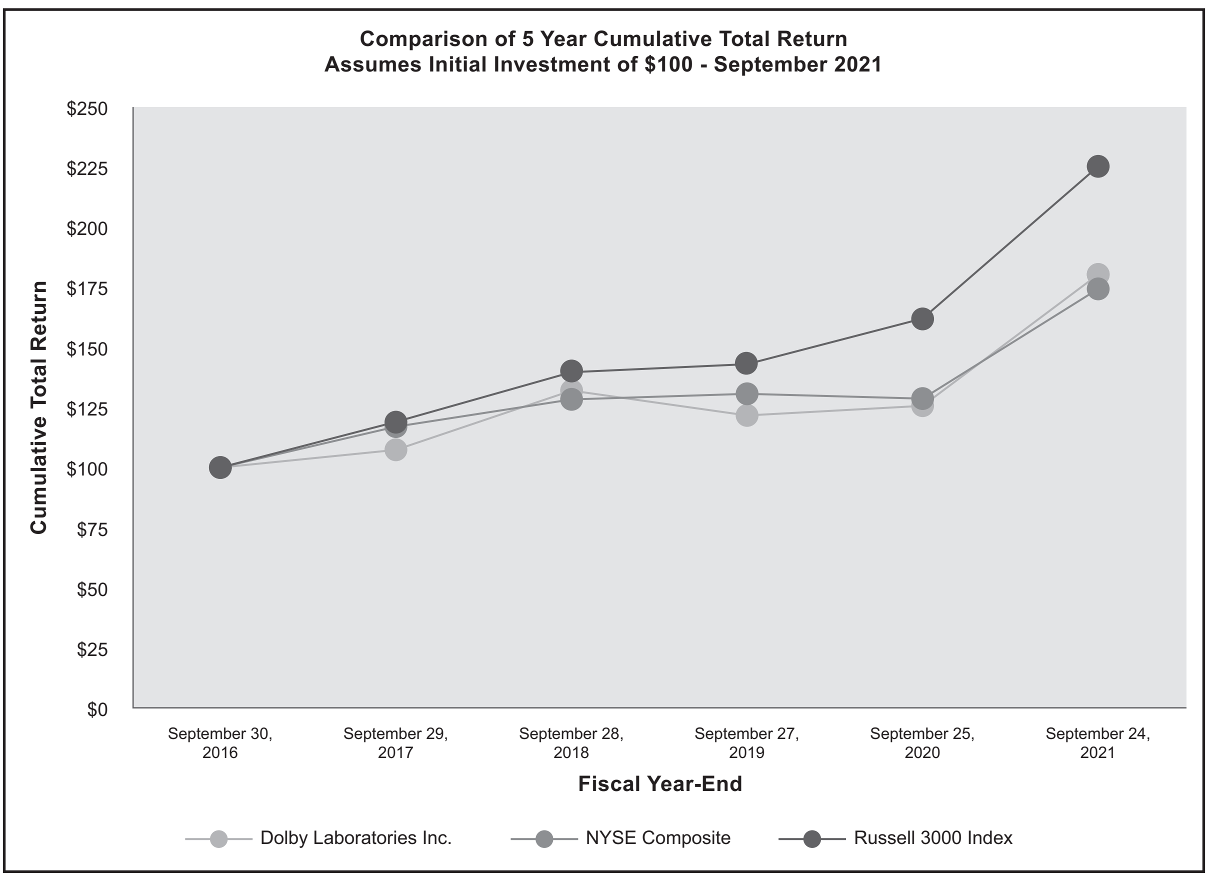
The following table provides information regarding our share repurchases made under this program during the fourth quarter of fiscal 2021:

Repurchase Activity	Total Shares Purchased	Average Price Paid Per Share (1)	Total Shares Purchased As Part Of Publicly Announced Programs	Remaining Authorized Repurchases (2)
June 26, 2021 - July 23, 2021	—	$ —	—	$ 37.4 million
July 24, 2021 - August 20, 2021	675,371	$98.46	675,371	$320.9 million
August 21, 2021 - September 24, 2021	296,845	$99.72	296,845	$291.3 million
Total	**972,216**		**972,216**	

(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, 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") and the Russell 3000 Index ("Russell 3000") for the five fiscal years ended September 24, 2021. The figures represented below assume an investment of $100 in our Class A common stock at the closing price of $54.29 on September 30, 2016, and in the NYSE Composite and Russell 3000 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 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), 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.

COVID-19

The COVID-19 pandemic has triggered worldwide shutdowns, job losses, and other disruptions which in turn have negatively affected the global economy, including consumer purchasing activity. Because Dolby technologies are featured in a wide array of electronic products that are primarily purchased by consumers, our revenue for certain consumer products has been negatively affected by COVID-19, although we have experienced heightened demand for certain consumer products that feature our technologies, including TVs and PCs, during the pandemic. It is unclear how demand for these consumer products may change relative to demand levels experienced during the pandemic. The issues and circumstances relating to COVID-19 continue to change rapidly and are difficult to predict. We continue to monitor the evolving situation and the impact on our business.

The outbreak of COVID-19 has also affected many of our partners, resulting in the disruption of consumer products' supply chains, shortages of certain semiconductor components, and delays in shipments, product development, and product launches. Consumer demand for products that include our technologies may continue to be negatively impacted due to economic uncertainty resulting from COVID-19. These factors have impacted revenue pertaining to royalties on consumer devices and may cause delays in the adoption of our technologies by partners.

The overall cinema market has been adversely impacted by COVID-19 shelter-in-place and social distancing mandates. At various times, our exhibition partners and customers have had to either partially or fully discontinue operations. This has resulted in a significant reduction in box office receipts at Dolby Cinema sites and lower demand for our cinema products and services. It remains uncertain when and where the cinemas will be able to operate at full capacity. Most cinema locations have been permitted to resume operations, but many such locations are operating under restricted capacity.

At Dolby, we implemented work-from-home options and practices within all our offices in locations with ongoing outbreaks and put in place additional safety measures and global travel restrictions to ensure the well-being of our employees. We have enabled our employees with the tools and infrastructure they need to carry on our critical operations and progress the business forward in this remote working environment. Dolby offices in certain locations have resumed in-office work at less than full capacity, dependent on local progress against COVID-19 and applicable rules and regulations in those jurisdictions.

We expect COVID-19 will continue to have an impact for the foreseeable future, with varying degrees of impact depending on geographic location. The degree of impact on our business will depend on several factors, such as the full duration and the extent of the pandemic, the spread of Delta or other variants, the actions taken by governments, businesses and consumers in response to the pandemic, and the rate and extent of vaccine distributions to the general population, all of which continue to evolve and remain uncertain at this time.

Further discussion of the potential impacts of COVID-19 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 and gaming. We are also beginning to leverage our audio and imaging expertise to expand the reach of our technologies to address content beyond premium entertainment that can create new revenue generating opportunities. 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 premium entertainment playback. Our audio technologies are primarily comprised of DD+, Dolby Atmos, AC-4, and our AAC and HE-AAC technologies. Our imaging technologies are primarily comprised of Dolby Vision and our AVC and HEVC technologies. Licensing revenue is primarily driven by the number of devices shipped by our licensees and by adoption of our technologies on additional devices. 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, and our revenue from these technologies is primarily impacted by device shipments by licensees. Revenue growth from Dolby Vision, Dolby Atmos, our imaging patents, and Dolby Cinema are primarily a result of increased adoption.

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, speaker devices, and playback devices. Our audio technologies have also been broadly adopted through many forms of content, including broadcast TV, streaming, and optical disc playback.

Major streaming partners and services such as Netflix, Disney+, Apple TV+, Amazon, HBO Max, and Paramount+ continue to enable more content in Dolby Vision and Dolby Atmos. For example, in fiscal 2021, there was an increase in the global adoption of our technologies due to streaming services such as Netflix, Disney+, Apple TV+, Hotstar, and iQiyi launching local content in Dolby formats in countries such as Korea, India, Thailand, and Singapore. Also, in fiscal 2021, it was announced that Amazon Prime Video will be the first to stream live Premier League matches in Dolby Atmos.

Recently, TV network operators have begun to broadcast live events in Dolby Vision and Dolby Atmos. In fiscal 2021, Comcast enabled the Tokyo 2020 Olympics in both Dolby Vision and Dolby Atmos in the U.S. Internationally, the Euro 2020 football championship was broadcast to several TV stations in Dolby Atmos. We believe broadcast experiences such as these help drive further adoption of our technologies in devices such as TVs and smartphones.

We have also enabled a broader range of content, such as music, gaming, and user-generated content. We believe enabling our technologies in these forms of content creates additional value for the adoption of Dolby within devices like mobile, PC, gaming consoles, and automotive. In fiscal 2021, several music streaming services began supporting Dolby Atmos music including Apple with their Apple Music service, Naver Vibe in Korea, Hungama Music in India, and Anghami Plus in the Middle East. Also in fiscal 2021, Vimeo, a platform to create, manage, and share videos, added support for Dolby Vision content within the Apple device ecosystem, and BiliBili, one of the largest video sharing platforms in China, launched support for Dolby Vision and Dolby

Atmos. Additionally, Tencent Games announced that QQ Speed Mobile was the first mobile game that supports Dolby Atmos, and BT began delivering sports content in Dolby Atmos to mobile devices via their BT Sports App.

The following are highlights from our fiscal 2021 and key challenges related to audio and imaging licensing, by market.

Broadcast

Highlights: We have an established global presence with respect to our DD+ and HE-AAC audio technologies in broadcast services and devices. In recent years, we have expanded our offerings in the broadcast market through the introduction of newer technologies, including our Dolby Atmos and AC-4 audio technologies, Dolby Vision, as well as AVC and HEVC imaging technologies which we license through patent pools.

We partner with many TV OEMs to enable Dolby Vision and Dolby Atmos experiences within their TV lineups. Many such partners have continued to expand their support of the combined Dolby Vision and Dolby Atmos experience. For example, in fiscal 2021, Amazon introduced a new smart TV series that will support Dolby Vision. In addition, Xiaomi in China recently launched new TV models that support Dolby Vision and Dolby Atmos. Also, in fiscal 2021, Toshiba, TCL, Skyworth, Xiaomi, and Hisense launched TVs equipped with Dolby Vision IQ. Dolby Vision IQ creates an enhanced viewing experience by automatically adjusting the TV picture according to the surrounding light and the type of content being viewed.

We continued to see engagement with partners supporting our newer technologies in STBs. In fiscal 2021, Comcast announced the launch of XiOne, a new wireless streaming STB that supports Dolby Vision and Dolby Atmos, for their global customers including Sky in Europe.

Key Challenges: Our pursuit of growth and further adoption of our technologies 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, our revenue could be impacted. Further, in certain countries, such as China, 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.

Additionally, in the broadcast market, as well as other markets, we face geopolitical challenges including changes in diplomatic and trade relationships, trade protection measures, and import or export licensing requirements. Further, COVID-19 continues to cause uncertainty about consumer demand for devices and services in the broadcast market, the ability of our partners to manufacture such devices due to supply chain disruption, timing of the adoption of our technologies into new products by partners and licensees, and the timing of launches for new products.

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 2021, Apple continued to deepen their adoption of the combined Dolby Vision and Dolby Atmos experience across Apple mobile devices. In addition, mobile devices from Samsung, Sony, OPPO, and Lenovo support Dolby Atmos. Also in fiscal 2021, Xiaomi launched its first smartphones supporting Dolby Vision and Dolby Atmos.

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. 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. To the extent that OEMs do not incorporate our technologies in current and future products, our revenue could be impacted. Additionally, we must continue to support the development and distribution of Dolby-enabled content via various ecosystems. Further, COVID-19 continues to cause uncertainty about consumer demand for devices in the mobile market, the ability of our partners to manufacture such devices due to supply chain disruption, timing of the adoption of our technologies into new products by partners and licensees, and the timing of launches for new products.

Consumer Electronics

Highlights: We have an established presence in the home entertainment market across devices such as AVRs, soundbars, 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.

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. Further, COVID-19 continues to cause uncertainty about consumer demand for devices in the home entertainment market, the ability of our partners to manufacture such devices due to supply chain disruption, timing of the adoption of our technologies into new products by partners and licensees, and the timing of launches for new products.

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 2021, Microsoft launched the Surface Pro 8 and Surface Studio, which enable playback in Dolby Vision, Dolby Vision IQ, and Dolby Atmos.

Key Challenges: PC revenue from audio technologies such as DD+ has been impacted by a decline in the portion of PCs that have optical disc functionality in recent years, which has resulted in a decline in our ASPs, and we expect this decline in ASPs to continue. 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. Demand in the PC market has been positively impacted in recent quarters by work-from-remote policies due to COVID-19. It is unclear whether this heightened demand will be sustained. COVID-19 continues to cause uncertainty about the ability of our partners to manufacture such devices due to supply chain disruption, timing of the adoption of our technologies into new products by partners and licensees, and the timing of launches for new products.

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 most recently launched Xbox gaming console supports Dolby Vision and Dolby Atmos for streaming and gaming content.

We also generate revenue from the automotive industry primarily through disc playback devices as well as other elements of the entertainment system, including in the future, enabling the playback of Dolby Atmos music. In fiscal 2021, Lucid Motors announced that their Lucid Air model is the first vehicle that features Dolby Atmos in its entertainment system. Subsequent to fiscal 2021, Mercedes-Benz announced that they expect to adopt the Dolby Atmos Car Experience in two of their luxury car models, the Mercedes-Maybach and Mercedes-Benz S-Class.

Key Challenges: Consumer demand for devices in the gaming industry is impacted by anticipation of console refresh cycles. 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. Also, automotive revenue has been negatively impacted by a decline in the portion of cars that have optical disc playback in recent years. These factors may impact our future revenue. If OEMs do not incorporate our technologies in current and future products, our revenue will face downward pressure. Further, COVID-19 continues to cause uncertainty about consumer demand for devices in the gaming industry, the ability of our partners to manufacture such devices due to supply chain disruption, timing of the adoption of our technologies into new products by partners and licensees, and the timing of launches for new products.

In addition to licensing revenue derived from the licensing of audio and imaging technologies into the markets discussed above, we offer our audio and imaging technologies to create Dolby experiences through Dolby Cinema.

Dolby Cinema

Highlights: We continue to expand our global presence for Dolby Cinema. As of the end of fiscal 2021, we had over 260 Dolby Cinema locations established across 14 countries, as compared to over 250 Dolby Cinema locations established across 13 countries as of the end of fiscal 2020. In fiscal 2021, over 95% of those sites reopened within capacity restrictions per local regulations. The breadth of motion pictures for Dolby Cinema continues to grow with over 375 theatrical titles in Dolby Vision and Dolby Atmos having been announced or released from all of the major studios, as compared to over 300 theatrical titles as of the end of fiscal 2020.

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 in accordance with plans, and attract and retain a global viewing audience. In addition, the success of our Dolby Cinema offering will be 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 including the closure of cinemas, shelter-in-place mandates and government-imposed social-distancing restrictions has had a negative impact on our cinema-related revenue and consumer demand, although consumer demand for the cinema has improved recently. Further, certain studios have delayed the release of a number of new movie titles and/or are shifting towards a direct-to-streaming model, which as a result, has negatively impacted the rate of new Dolby Cinema content. It is uncertain whether consumer demand for the cinema will return to previous levels.

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 the sale of Dolby Conference Phones and Dolby Voice Room, a business which have exited, is included in products and services. Revenue from our recently launched developer platform, 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 and audio processors 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 2021, there are over 6,000 Dolby Atmos screens installed or committed and over 2,000 Dolby Atmos theatrical titles have been announced or released.

We also offer a variety of other cinema products, which include the IMS3000, an integrated imaging and audio server with Dolby Atmos, 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 what was previously available to them.

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, such as China, which are subject to economic risks as well as geo-political risks. We may also be faced with pricing pressures or competing technologies, which would affect our revenue.

Additionally, the effects of COVID-19 such as the closure of cinemas, social distancing requirements, and shelter-in-place mandates have had a negative impact on demand for cinema products and services, and it remains uncertain whether it will continue to have a negative impact on the demand for these products and services. COVID-19 has also negatively impacted the financial health of our cinema customers and partners. If cinemas permanently close, our equipment may be available for resale on the secondary market, and erode the demand for new products. These conditions are likely to continue as government-imposed restrictions continue to lift in certain locations.

Dolby Voice

Highlights: Historically, we sold hardware products such as the Dolby Conference Phone and the Dolby Voice Room, that included our Dolby Voice technology. However, in the first quarter of fiscal 2021, we decided to exit our conference hardware business and focus instead on expanding the availability of Dolby Voice technology through software solutions and services.

Key Challenges: As we shift away from hardware solutions, we may face challenges in how we expand our technologies to new offerings and solutions. Our success will depend on our ability to attract a robust developer community and new industry relationships as we to bring our services and technologies to market.

Developer Platform Services

Highlights: We are focused on bringing our expertise in media and communications to a broader range of content and digital experiences. For example, we are increasing our engagement with new customers across different industries through our developer platform, Dolby.io, that enables developers to access our technologies through APIs. The initial offerings include media processing APIs for analyzing and improving the sound of recorded audio files, for example, and interactivity APIs for enabling developers to embed enhanced communications experiences within their applications.

Following the initial launch of Dolby.io, we have seen growing developer engagement with our media and interactivity APIs for use cases such as entertainment, online education and collaboration tools. For example, in fiscal 2021, we completed an integration with Box by using embedded Dolby media processing APIs, that allows Box customers to enable their users to easily enhance the quality of their audio files.

Key Challenges: Dolby.io is still considered in its initial stages of product launch, and it is uncertain when and if it will be a material revenue driver for the Company. Our success in this market will depend on the number of developers we are able to attract and maintain, the volume of usage of the service, 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 internally develop new skills for our current employees or hire external specialized talent. Although the market for online experiences has been growing, Dolby's interactivity API technologies compete 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 intellectual property and technologies ("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 COVID-19 or other natural disasters 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 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. 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. As such, 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 24, 2021 and September 25, 2020. For the discussion and analysis highlighting comparisons of material changes in the consolidated financial statements for the years ended September 25, 2020 and September 27, 2019, 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 25, 2020, which is incorporated herein by reference. Note that adjustments related to previously under-reported sales-based royalties 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. 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	
Licensing	**September 24, 2021**	**September 25, 2020**	**$**	**%**
Revenue	$1,214,147	$1,078,577	$135,570	13%
Percentage of total revenue	*95%*	*93%*		
Cost of licensing	55,421	50,822	4,599	9%
Gross margin	1,158,726	1,027,755	130,971	13%
Gross margin percentage	*95%*	*95%*		

Licensing Revenue By Market	Fiscal Year Ended			
	September 24, 2021		September 25, 2020	
Broadcast	$ 475,648	39%	$ 439,415	41%
Mobile	261,232	22%	226,972	21%
CE	181,944	15%	152,608	14%
PC	141,919	12%	132,302	12%
Other	153,404	12%	127,280	12%
Total licensing revenue	**$1,214,147**	**100%**	**$1,078,577**	**100%**

Factor		Licensing Revenue		Gross Margin
Broadcast	↑	*Higher revenue from higher unit shipments in North America and Europe, increased adoption of our technologies, and higher revenue from our patent licensing technologies, partially offset by lower recoveries*	↔	*No significant fluctuations*
Mobile	↑	*Higher revenue from recoveries, as well as higher adoption of our technologies and higher unit shipments*		
CE	↑	*Higher revenue from higher unit shipments, increased adoption of our Dolby Atmos and Dolby Vision technologies, and higher revenue from recoveries and from our patent licensing technologies*		
Other	↑	*Higher gaming revenue primarily from gaming consoles, higher revenue from our patent licensing technologies, and higher patent administration fees from Via, partially offset by lower automotive recoveries*		
PC	↑	*Higher unit shipments due to demand from working from home conditions of COVID-19, and higher adoption of our Dolby Atmos and Dolby Vision technologies, partially offset by lower recoveries*		

Products and Services

Products revenue is generated from the sale of audio and voice products for the cinema, television broadcast, and communications. 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 our Dolby.io developer platform. Cost of services consists of personnel and personnel-related costs for providing our professional services, software maintenance and support, external consultants, and other direct expenses incurred on behalf of customers.

Products and Services	Fiscal Year Ended		Change	
	September 24, 2021	September 25, 2020	$	%
Revenue	$67,109	$ 83,215	$(16,106)	(19)%
Percentage of total revenue	*5%*	*7%*		
Cost of products and services	74,604	95,676	(21,072)	(22)%
Gross margin	(7,495)	(12,461)	4,966	(40)%
Gross margin percentage	*(11)%*	*(15)%*		

Factor		Products and Services Revenue		Gross Margin
Products	↓	*Lower sales of cinema products and cinema hardware attributable to COVID-19, and lower units of conferencing hardware products as a result of exiting that business*	↑	*Lower excess and obsolescence charges and favorable product mix offset by lower utilization of available capacity*
Services	↔	*No significant fluctuations*	↓	*Higher systems and consulting costs to support the developer platform, and higher depreciation expense*

Operating Expenses

Research and Development

R&D expenses consist primarily of employee compensation and benefits expenses, stock-based compensation, consulting and contract labor costs, depreciation and amortization, facilities costs, costs for outside materials, and information technology expenses.

	Fiscal Year Ended		Change	
	September 24, 2021	September 25, 2020	$	%
Research and development	$253,640	$239,045	$14,595	6%
Percentage of total revenue	*20%*	*21%*		

Category		Key Drivers
Compensation & Benefits	↑	*Higher costs of $6.0 million due to higher salaries expense primarily related to increased headcount, and higher costs of $3.3 million due to higher incentive compensation*
Stock-based Compensation	↑	*Higher costs of $4.1 million due to increased fair value of RSUs*
Travel	↓	*Lower costs of $2.1 million for company travel due to COVID-19 travel restrictions*

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, consulting fees, facilities costs, depreciation and amortization, information technology expenses, and legal costs associated with the protection of our IP.

	Fiscal Year Ended		Change	
	September 24, 2021	September 25, 2020	$	%
Sales and marketing	$332,671	$335,933	$(3,262)	(1)%
Percentage of total revenue	*26%*	*29%*		

Category		Key Drivers
Travel	↓	*Lower costs of $7.1 million for company travel due to COVID-19 travel restrictions*
Marketing Programs	↓	*Lower costs of $6.3 million primarily related to marketing programs that were higher in the prior year and lower spending due to COVID-19*
Consulting and External Labor	↑	*Higher costs of $6.0 million primarily due to increased spend on marketing campaigns, including digital and social marketing efforts*
Facilities Costs	↓	*Lower facilities costs of $6.0 million due to reduced occupancy during COVID-19 related office closures*
Stock-based Compensation	↑	*Higher costs of $4.5 million due to increased fair value of RSUs*
Compensation & Benefits	↑	*Higher costs of $4.0 million due to higher salaries expense primarily related to increased headcount*

General and Administrative

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

	Fiscal Year Ended		Change	
	September 24, 2021	September 25, 2020	$	%
General and administrative	$224,161	$219,753	$4,408	2%
Percentage of total revenue	*17%*	*19%*		

Category	Key Drivers	
Bad Debt Expense	↓	*Lower costs of $10.5 million primarily due to higher charges recorded in the prior year attributable to the onset of COVID-19, and higher net collections in the current year*
Taxes and Insurance	↑	*Higher costs of $6.1 million primarily due to a property tax credit recorded in the prior year that did not repeat in the current period, and due to changes in nature of local business taxes*
Stock-based Compensation	↑	*Higher costs of $4.5 million due to increased fair value of RSUs*
Compensation & Benefits	↑	*Higher costs of $3.6 million due to higher salaries expense due to increased headcount*

Gain on Sale of Assets

	Fiscal Year Ended		Change	
	September 24, 2021	September 25, 2020	$	%
Gain on sale of assets	$(13,871)	$—	$(13,871)	(100)%
Percentage of total revenue	*(1)%*	*—%*		

In fiscal year 2019, management committed to a plan to sell a property, which included land and a building, after the lease on the property expired and we re-assessed the real estate needs of our business. This property had a carrying value of $2.2 million as of September 25, 2020. In the fiscal 2021, we finalized the sale of this property, and as a result, we realized a gain of $13.9 million, which was recorded to gain on sale of assets on the consolidated statements of operations. Refer to "Net Income Attributable to Controlling Interest" section below for more information.

Restructuring Charges

Restructuring charges recorded as operating expenses in our consolidated statements of operations represent costs associated with separate individual 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 24, 2021	September 25, 2020	$	%
Restructuring charges	$10,240	$1,821	$8,419	462%
Percentage of total revenue	*1%*	*—%*		

Restructuring charges recorded in fiscal 2021 of $9.5 million were incurred in relation to our fiscal 2021 plan to reduce certain activities, such as exiting our conferencing hardware business, in order to focus our efforts on higher priority investment areas, and reduce the cost structure of our manufacturing operations. These costs represented severance and related benefits that were offered to approximately 100 employees impacted by this action. 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, and sales of marketable securities from our investment portfolio.

	Fiscal Year Ended		Change	
Other income/(expense)	**September 24, 2021**	**September 25, 2020**	**$**	**%**
Interest income	$ 3,493	$12,725	$ (9,232)	(73)%
Interest expense	(479)	(186)	(293)	158%
Other income, net	7,108	8,434	(1,326)	(16)%
Total	**$10,122**	**$20,973**	**$(10,851)**	**(52)%**

Category	Key Drivers	
Interest Income	↓	*Lower yields of $9.2 million on current year investment balances due to decreased interest rates*

Income Taxes

Our effective tax rate is based on our fiscal year results and is affected by several factors. These reflect 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.

	Fiscal Year Ended	
	September 24, 2021	**September 25, 2020**
Provision for income taxes	$(36,689)	$(8,096)
Effective tax rate	*10%*	*3%*

Factor	Impact On Effective Tax Rate	
Unrecognized Tax Benefits	↑	*Lower expense in prior period due to a discrete benefit associated with the release of liabilities related to unrecognized tax benefits*
Foreign Operations	↓	*Higher benefit from changes in jurisdictional mix of income*
Stock-Based Compensation	↓	*Higher benefit related to the settlement of stock-based awards*

Net Income Attributable to Controlling Interest

	Fiscal Year Ended		Change	
	September 24, 2021	**September 25, 2020**	**$**	**%**
Net income attributable to controlling interest	$(7,596)	$(256)	$(7,340)	2,867%
Percentage of total revenue	*(1)%*	*—%*		

In fiscal 2021, we finalized the sale of a property, which included land and building, and as a result, we recognized a gain of $13.9 million from this transaction, which was recorded to gain on sale of assets on the consolidated statements of operations. The property was 51% owned by the controlling interest, and therefore 51% of the gain on sale of assets has been attributed to the controlling interest.

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 24, 2021, we had cash and cash equivalents of $1,225.4 million, which mainly consisted of cash and highly-liquid money market funds. In addition, we had short and long-term investments of $101.7 million, which consisted primarily of corporate bonds, municipal debt securities, government bonds, commercial paper, U.S. agency securities, and certificates of deposit.

The following table presents selected financial information as of the fiscal years ended September 24, 2021 and September 25, 2020 (in thousands):

	September 24, 2021	September 25, 2020
Cash and cash equivalents	$1,225,380	$1,071,876
Short-term investments	38,839	46,948
Long-term investments	62,819	52,149
Accounts receivable, net	232,609	180,340
Accounts payable and accrued liabilities	280,507	232,591
Working capital	1,444,781	1,280,087

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. 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 2021 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 $2.1 billion of stock repurchases under the program.

Quarterly Dividend Program. During fiscal 2015, we initiated a recurring quarterly cash dividend program for our stockholders. For fiscal 2021, quarterly dividends of $0.22 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 statement 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 (amounts displayed in thousands).

Operating Activities

	Fiscal Year Ended	
	September 24, 2021	September 25, 2020
Net cash provided by operating activities	$447,753	$343,849

Net cash provided by operating activities increased $103.9 million in fiscal 2021 compared to fiscal 2020, primarily due to the following:

Factor	Impact On Cash Flows	
Working Capital	↑	*Increase due to higher accounts payable and accrued liabilities, partially offset by increased accounts receivable*
Net Income	↑	*Higher revenue and lower COGS*
Gain on Sale of Assets	↓	*Non-cash adjustment for the gain recognized on the sale of property that was 51% owned by the controlling interest*

Investing Activities

	Fiscal Year Ended	
	September 24, 2021	September 25, 2020
Net cash provided by (used in) investing activities	$(44,905)	$134,374

Net cash provided by/(used in) investing activities was $179.3 million lower in fiscal 2021 compared to fiscal 2020, primarily due to the following:

Factor	Impact On Cash Flows	
Proceeds from Investments	↓	*Lower inflows from the sale and maturity of marketable investment securities*
Purchase of Investments	↑	*Lower outflows for the purchase of marketable investment securities*
Sale of Assets	↑	*Higher inflows for the sale of property that was 51% owned by the controlling interest*
Capital Expenditures	↑	*Lower expenditures for PP&E in the current year due to reduced Dolby Cinema spending*

Financing Activities

	Fiscal Year Ended	
	September 24, 2021	September 25, 2020
Net cash used in financing activities	$(252,515)	$(207,775)

Net cash used in financing activities was $44.7 million higher in fiscal 2021 compared to fiscal 2020, primarily due to the following:

Factor	Impact On Cash Flows	
Share Repurchases	↓	*Higher outflows for common stock repurchases as part of our stock repurchase program*
Common Stock Issuance	↑	*Higher inflows from employee stock option exercises*
Shares Repurchased for Tax Withholdings	↓	*Higher outflows due to higher fair value of shares withheld for taxes*
Distribution to Controlling Interest	↓	*Higher outflows for distributions to controlling interest due to the sale of property that was 51% owned by the controlling interest*

Contractual Obligations and Commitments

The following table presents a summary of our contractual obligations and commitments as of September 24, 2021 (in thousands):

	Payments Due By Fiscal Period				
	1 Year	2 - 3 Years	4 - 5 Years	More Than 5 Years	Total
Naming rights	$ 8,015	$16,335	$16,750	$52,849	$ 93,949
Operating leases, including imputed interest	17,767	29,790	15,504	17,128	80,189
Purchase obligations	17,108	3,102	—	—	20,210
Donation commitments	3,462	88	88	71	3,709
Total	**$46,352**	**$49,315**	**$32,342**	**$70,048**	**$198,057**

Naming Rights. We are party to an agreement 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. 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 controlling interests in our wholly 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 commitments made under agreements to purchase goods and services related to Dolby Cinema and for purposes that include IT 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 24, 2021, we had an accrued liability for unrecognized tax benefits without interest, penalties, and related deferred tax assets, totaling $66.1 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. Historically, we have not made any payments for these indemnification obligations and no amounts have been accrued in our consolidated financial statements with respect to these obligations. 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 2021, 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 24, 2021, we had cash and cash equivalents of $1,225.4 million, which consisted of cash and highly liquid money market funds. In addition, we had both short and long-term investments of $101.7 million, which consisted primarily of corporate bonds, municipal debt securities, government bonds, commercial paper, U.S. agency securities, 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 24, 2021, the weighted-average credit quality of our investment portfolio was AA, with a weighted-average maturity of approximately fourteen 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 24, 2021, hypothetical changes in interest rates of 1% and 0.5% would have an impact on the carrying value of our portfolio of approximately $1.1 million and $0.5 million, respectively.

Foreign Currency Exchange Risk

We maintain business operations in foreign countries, most significantly in Australia, China, Germany, the Netherlands, 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 and margins. 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 loss attributed to the effective portion of cash flow hedges recognized in AOCI was $12.7 million in fiscal 2021. The pre-tax gain attributed to the effective portion of cash flow hedges recognized in AOCI was $5.3 million in fiscal 2020.

The pre-tax effective portion of the gain reclassified to the consolidated statements of operations was $9.0 million in fiscal 2021, and the pre-tax effective portion of the loss reclassified to the consolidated statements of operations was $0.9 million in fiscal 2020.

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, 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 24, 2021, the outstanding derivative instruments had maturities of equal to or less than 3 months. As of September 24, 2021 and September 25, 2020, the total notional amounts of outstanding contracts were $51.0 million and $93.8 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 24, 2021. 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 $1.1 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 $1.1 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 24, 2021 and September 25, 2020, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended September 24, 2021 and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of September 24, 2021, 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 24, 2021 and September 25, 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended September 24, 2021, 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 24, 2021 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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 24, 2021. 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, 2021

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

	September 24, 2021	September 25, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$1,225,380	$1,071,876
Restricted cash	7,652	8,103
Short-term investments	38,839	46,948
Accounts receivable, net of allowance for credit losses of $8,744 and $15,908	232,609	180,340
Contract assets, net of allowance for credit losses of $208 and $0	182,316	161,357
Inventories, net	10,965	25,550
Prepaid expenses and other current assets	62,737	53,022
Total current assets	1,760,498	1,547,196
Long-term investments	62,819	52,149
Property, plant and equipment, net	534,381	541,963
Operating lease right-of-use assets	67,128	76,515
Intangible assets, net	122,890	152,431
Goodwill	340,694	336,945
Deferred taxes	156,020	118,881
Other non-current assets	61,257	91,245
Total assets	**$3,105,687**	**$2,917,325**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,779	$ 12,617
Accrued liabilities	262,728	219,974
Income taxes payable	1,334	3,260
Contract liabilities	18,473	15,436
Operating lease liabilities	15,403	15,822
Total current liabilities	315,717	267,109
Non-current contract liabilities	23,713	24,342
Non-current operating lease liabilities	56,715	65,315
Other non-current liabilities	105,310	122,154
Total liabilities	501,455	478,920
Stockholders' equity:		
Class A, $0.001 par value, one vote per share, 500,000,000 shares authorized: 64,986,316 shares issued and outstanding at September 24, 2021 and 64,167,725 at September 25, 2020	59	58
Class B, $0.001 par value, ten votes per share, 500,000,000 shares authorized: 36,086,779 shares issued and outstanding at September 24, 2021 and 36,128,720 at September 25, 2020	41	41
Retained earnings	2,607,909	2,443,138
Accumulated other comprehensive loss	(10,030)	(10,594)
Total stockholders' equity – Dolby Laboratories, Inc.	2,597,979	2,432,643
Controlling interest	6,253	5,762
Total stockholders' equity	2,604,232	2,438,405
Total liabilities and stockholders' equity	**$3,105,687**	**$2,917,325**

See accompanying notes to consolidated financial statements

DOLBY LABORATORIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(*in thousands, except per share amounts*)

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Revenue:			
Licensing	$1,214,147	$1,078,577	$1,107,280
Products and services	67,109	83,215	134,340
Total revenue	1,281,256	1,161,792	1,241,620
Cost of revenue:			
Cost of licensing	55,421	50,822	57,531
Cost of products and services	74,604	95,676	103,323
Total cost of revenue	130,025	146,498	160,854
Gross margin	1,151,231	1,015,294	1,080,766
Operating expenses:			
Research and development	253,640	239,045	237,871
Sales and marketing	332,671	335,933	343,835
General and administrative	224,161	219,753	205,425
Gain on sale of assets	(13,871)	—	—
Restructuring charges	10,240	1,821	36,558
Total operating expenses	806,841	796,552	823,689
Operating income	344,390	218,742	257,077
Other income/(expense):			
Interest income	3,493	12,725	24,919
Interest expense	(479)	(186)	(170)
Other income, net	7,108	8,434	481
Total other income	10,122	20,973	25,230
Income before income taxes	354,512	239,715	282,307
Provision for income taxes	(36,689)	(8,096)	(26,802)
Net income including controlling interest	317,823	231,619	255,505
Less: net income attributable to controlling interest	(7,596)	(256)	(354)
Net income attributable to Dolby Laboratories, Inc.	**$ 310,227**	**$ 231,363**	**$ 255,151**
Net income per share:			
Basic	$ 3.07	$ 2.30	$ 2.51
Diluted	$ 2.97	$ 2.25	$ 2.44
Weighted-average shares outstanding:			
Basic	101,190	100,564	101,629
Diluted	104,622	102,944	104,572
Related party rent expense and restructuring charges:			
Included in operating expenses	$ (392)	$ 126	$ 16,360
Included in net income attributable to controlling interest	$ 381	$ 455	$ 572
Cash dividend declared per common share	$ 0.91	$ 0.88	$ 0.79
Cash dividend paid per common share	$ 0.88	$ 0.88	$ 0.76

See accompanying notes to consolidated financial statements

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

	Fiscal Year Ended		
	September 24, 2021	**September 25, 2020**	**September 27, 2019**
Net income including controlling interest	$317,823	$231,619	$255,505
Other comprehensive income:			
Currency translation adjustments, net of tax benefit/(expense) of ($501), $22, and ($439)	5,510	7,552	(10,166)
Unrealized gains/(losses) on investments, net of tax benefit/(expense) of $108, ($926), and $58	(598)	(1,380)	5,146
Unrealized gains/(losses) on cash flow hedges, net of tax expense of ($419), ($407), and $0	(4,091)	3,969	—
Total other comprehensive income/(loss), net of tax	821	10,141	(5,020)
Total comprehensive income	318,644	241,760	250,485
Less: comprehensive income attributable to controlling interest	(7,853)	(366)	(127)
Comprehensive income attributable to Dolby Laboratories, Inc.	**$310,791**	**$241,394**	**$250,358**

See accompanying notes to consolidated financial statements

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

	Dolby Laboratories, Inc.									
	Class A		Class B							
	Shares	Amount	Shares	Amount	APIC	Retained Earnings	AOCI	Total Stockholders' Equity	Controlling Interest	Total
Balance at September 28, 2018	**63,979**	**$ 61**	**39,261**	**$ 41**	**$ 66,127**	**$2,313,539**	**$(15,832)**	**$2,363,936**	**$ 6,567**	**$2,370,503**
Net income	—	—	—	—	—	255,151	—	255,151	354	255,505
Other comprehensive loss, net of tax	—	—	—	—	—	—	(4,793)	(4,793)	(227)	(5,020)
Distributions to controlling interest	—	—	—	—	—	—	—	—	(1,015)	(1,015)
Stock-based compensation expense	—	—	—	—	76,580	—	—	76,580	—	76,580
Repurchase of common stock	(5,268)	(4)	—	—	(177,264)	(163,317)	—	(340,585)	—	(340,585)
Cash dividends declared and paid on common stock	—	—	—	—	—	(77,496)	—	(77,496)	—	(77,496)
Common stock issued under employee stock plans	2,514	1	—	—	57,345	—	—	57,346	—	57,346
Tax withholdings on vesting of restricted stock	(345)	—	—	—	(22,788)	—	—	(22,788)	—	(22,788)
Common stock transfers—Class B to Class A	3,031	—	(3,031)	—	—	—	—	—	—	—
Balance at September 27, 2019	**63,911**	**58**	**36,230**	**41**	**—**	**2,327,877**	**(20,625)**	**2,307,351**	**5,679**	**2,313,030**
Net income	—	—	—	—	—	231,363	—	231,363	256	231,619
Other comprehensive income, net of tax	—	—	—	—	—	—	10,031	10,031	110	10,141
Distributions to controlling interest	—	—	—	—	—	—	—	—	(283)	(283)
Stock-based compensation expense	—	—	—	—	86,628	—	—	86,628	—	86,628
Repurchase of common stock	(2,564)	(3)	—	—	(146,218)	(27,521)	—	(173,742)	—	(173,742)
Cash dividends declared and paid on common stock	—	—	—	—	—	(88,581)	—	(88,581)	—	(88,581)
Common stock issued under employee stock plans	3,063	3	—	—	82,655	—	—	82,658	—	82,658
Tax withholdings on vesting of restricted stock	(343)	—	—	—	(23,065)	—	—	(23,065)	—	(23,065)
Common stock transfers—Class B to Class A	101	—	(101)	—	—	—	—	—	—	—
Balance at September 25, 2020	**64,168**	**58**	**36,129**	**41**	**—**	**2,443,138**	**(10,594)**	**2,432,643**	**5,762**	**2,438,405**
Net income	—	—	—	—	—	310,227	—	310,227	7,596	317,823
Other comprehensive income, net of tax	—	—	—	—	—	—	564	564	257	821
Distributions to controlling 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)	—	—	—	—	—	—	—
Balance at September 24, 2021	**64,986**	**$ 59**	**36,087**	**$ 41**	**$ —**	**$2,607,909**	**$(10,030)**	**$2,597,979**	**$ 6,253**	**$2,604,232**

See accompanying notes to consolidated financial statements

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

	Fiscal Year Ended		
	September 24, 2021	**September 25, 2020**	**September 27, 2019**
Operating activities:			
Net income including controlling interest	$ 317,823	$ 231,619	$ 255,505
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	95,860	90,878	85,123
Stock-based compensation	99,698	86,628	76,580
Amortization of operating lease right-of-use assets	16,897	21,006	—
Amortization of premium on investments	1,373	800	358
Provision for/(benefit from) credit losses	(2,889)	7,689	4,523
Deferred income taxes	(37,048)	(5,274)	(40,191)
Gain on sale of assets	(13,871)	—	—
Other non-cash items affecting net income	(5,452)	10,920	6,952
Changes in operating assets and liabilities:			
Accounts receivable, net	(49,034)	1,251	(27,492)
Contract assets	(21,154)	34,297	(29,708)
Inventories	17,154	(11,784)	(16,098)
Operating lease right-of-use assets	(5,199)	(34,522)	—
Prepaid expenses and other assets	17,165	(5,680)	(6,200)
Accounts payable and accrued liabilities	44,230	(43,545)	33,420
Income taxes, net	(2,975)	(50,586)	(2,186)
Contract liabilities	2,361	(4,621)	1,084
Operating lease liabilities	(11,369)	15,618	—
Other non-current liabilities	(15,817)	(845)	(13,996)
Net cash provided by operating activities	447,753	343,849	327,674
Investing activities:			
Purchases of investment securities	(67,101)	(287,777)	(265,361)
Proceeds from sales of investment securities	10,892	244,517	200,636
Proceeds from maturities of investment securities	53,893	246,621	136,951
Purchases of property, plant, and equipment	(54,454)	(66,347)	(96,281)
Proceeds from sale of assets	16,365	—	—
Payments for business combinations, net of cash acquired	(4,500)	—	(14,919)
Purchase of intangible assets	—	(2,640)	(17,255)
Net cash provided by/(used in) investing activities	(44,905)	134,374	(56,229)
Financing activities:			
Proceeds from issuance of common stock	122,088	82,658	57,346
Repurchase of common stock	(245,864)	(173,742)	(340,585)
Payment of cash dividend	(89,172)	(88,581)	(77,496)
Distribution to controlling interest	(7,362)	(283)	(1,015)
Shares repurchased for tax withholdings on vesting of restricted stock	(32,205)	(23,065)	(22,788)
Payment related to prior purchases of intangible assets	—	(91)	—
Payment of deferred consideration for prior business combinations	—	(4,671)	(743)
Net cash used in financing activities	(252,515)	(207,775)	(385,281)
Effect of foreign exchange rate changes on cash, cash equivalents, and restricted cash	2,720	3,938	(5,821)
Net increase/(decrease) in cash, cash equivalents, and restricted cash	153,053	274,386	(119,657)
Cash, cash equivalents, and restricted cash at beginning of period	1,079,979	805,593	925,250
Cash, cash equivalents, and restricted cash at end of period	**$1,233,032**	**$1,079,979**	**$ 805,593**
Supplemental disclosure:			
Cash paid for income taxes, net of refunds received	$ 70,737	$ 52,869	$ 59,722
Non-cash investing and financing activities:			
Change in property, plant, and equipment purchased, unpaid at period-end	$ 2,772	$ (3,417)	$ (324)
Purchase consideration payable for business combinations	$ 500	$ —	$ 1,700
Purchase consideration payable for intangible assets	$ 30	$ 260	$ 1,881

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 subsidiaries. In addition, we have consolidated the financial results of jointly owned affiliated companies in which our principal stockholder has a controlling interest. We report these controlling interests as a separate line in our consolidated statements of operations as net income attributable to controlling interest and in our consolidated balance sheets as a controlling 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, such as the COVID-19 pandemic or other natural disasters which 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 liabilities for unrecognized tax benefits, deferred income tax assets and 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 periods ended September 24, 2021 (fiscal 2021), September 25, 2020 (fiscal 2020), and September 27, 2019 (fiscal 2019). Our fiscal year ending September 30, 2022 (fiscal 2022) will consist of 53 weeks.

Reclassifications

We have reclassified certain prior period amounts within our consolidated financial statements and accompanying notes to conform to our current period presentation. These reclassifications did not affect total revenue, operating income, operating cash flows or net income.

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, investments, and accounts receivable. Our investment portfolio consists of investment grade securities diversified amongst security types, industries, and issuers. All our securities are held in custody by a recognized financial institution. Our policy limits the amount of credit exposure to a maximum of 5% 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.

The majority of our licensing revenue is generated from customers outside of the U.S. We manage this risk by performing regular evaluations of the creditworthiness of our licensing customers. In fiscal 2021, 2020, and 2019, we did not have any individual customers 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, commercial paper, and government bonds.

Restricted Cash

Restricted cash on our consolidated balance sheets consists of cash contributed by Dolby and third-party licensors to Via, our wholly-owned subsidiary, that may only be used for licensor enforcement actions or licensee compliance activities related to certain Via-administered patent pools, as well as to disperse costs associated with any audit of Via 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 supplemental executive retirement plan, which are classified as trading 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 investments 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, other-than-temporary impairments, 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 credit losses and other-than-temporary impairments by comparing the fair value with the cost basis for each of our investment securities. An investment is impaired if the fair value is less than its cost basis. If any portion of the impairment is deemed to be the result of a credit loss, the credit loss portion of the impairment is included as a component of net income. If we deem it probable that we will not recover the full cost basis of the security, the security is other-than-temporarily impaired, and the impairment loss is recognized as a component of net income.

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 accounts receivable. Risk characteristics considered in creating these risk pools include assessing historical or expected loss patterns, credit ratings, current economic conditions that could impact collectability of cash flows (such as the macroeconomic effects of COVID-19), 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:

PP&E Category	Useful Life
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 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 cinema equipment installed at third-party sites as a fixed asset and depreciate the asset on a straight-line basis.

Internal Use Software. We account for the costs of computer software developed for internal use by capitalizing costs of materials and external consultants. These costs are included in PP&E, net of accumulated amortization in our consolidated balance sheets. Our capitalized internal use software costs are typically amortized on a straight-line basis over estimated useful lives of three to five years. Costs incurred during the preliminary project and post-implementation stages are charged to expense.

Goodwill, Intangible Assets, and Long-Lived Assets

We perform an assessment of goodwill for potential impairment annually during our third fiscal quarter and whenever events or changes in circumstances indicate that the carrying amount may be impaired. We perform a qualitative assessment as a determinant for whether the annual goodwill impairment test should be performed. For fiscal 2021, we completed our annual goodwill impairment assessment in the fiscal quarter ended June 25, 2021. We determined in our qualitative review that it is more likely than not that the fair value of our reporting unit is substantially in excess of the respective carrying amount. Accordingly, there was no impairment, and the goodwill impairment test was not required. 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's carrying value may not be recoverable. Recoverability of an asset is measured by comparing its carrying value to the total future undiscounted cash flows that the asset is expected to generate. If it is determined that an asset is not recoverable, an impairment loss is recorded in the amount by which the carrying value of the asset exceeds its estimated fair value.

Revenue Recognition

We enter into revenue arrangements with our customers to license technologies, trademarks and patents for sound, imaging and voice 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 to S&M expense as incurred. Our advertising and promotional costs were as follows (in thousands):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Advertising and promotional costs	$52,253	$61,125	$49,118

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):

	Fiscal Year Ended		
	September 24, 2021	**September 25, 2020**	**September 27, 2019**
Foreign currency transaction losses	$(749)	$(1,361)	$(260)

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 24, 2021 and September 25, 2020, the outstanding derivative instruments had maturities of equal to or less than 38 days and 31 days, respectively, and the total notional amounts of outstanding contracts were $35.3 million and $26.8 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 and margins. 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 loss attributed to the effective portion of cash flow hedges recognized in AOCI was $12.7 million in fiscal 2021. The pre-tax gain attributed to the effective portion of cash flow hedges recognized in AOCI was $5.3 million in fiscal 2020. The pre-tax effective portion of the gain reclassified to the consolidated statements of operations was $9.0 million in fiscal 2021, and the pre-tax effective portion of the loss reclassified to the consolidated statements of operations was $0.9 million in fiscal 2020.

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’s 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.

Repatriation of Undistributed Foreign Earnings. The Tax Act provides an exemption from federal income taxes for distributions by foreign subsidiaries made after December 31, 2017 that were not subject to the Transition Tax. Therefore, we have provided for U.S. state income taxes and foreign withholding taxes on undistributed earnings of certain foreign subsidiaries to the extent such earnings are no longer considered to be indefinitely reinvested in the operations of those subsidiaries. We consider the earnings of certain foreign subsidiaries to be indefinitely reinvested outside the U.S. on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs, and our specific plans for reinvestment of those subsidiary earnings.

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

Collaborative Arrangements. In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*, which clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer. In addition, ASU 2018-18 precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. We adopted this standard in the first quarter of fiscal 2021 and it did not have a material impact on our consolidated financial statements.

Financial Instruments. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement of expected credit losses of certain financial instruments, including trade receivables, contract assets, and lease receivables. The standard provides guidance regarding methodologies and disclosures for expected credit losses on financial instruments, resulting in immediate recognition of estimated credit losses over the remaining life of financial assets at initiation or purchase date. We adopted this standard in the first quarter of fiscal 2021, using the modified retrospective method. The adoption of this standard did not have a material impact on our consolidated financial statements.

Standards Not Yet Adopted

Income Taxes. In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): *Simplifying the Accounting for Income Taxes*, which modifies and eliminates certain exceptions to the general principles of ASC 740, Income Taxes. This standard is effective for Dolby beginning September 25, 2021. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

3. Revenue Recognition

We enter into revenue arrangements with our customers to license technologies, trademarks and patents for sound, imaging and voice 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, imaging and voice 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, communications, 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.
- *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. We also lease hardware that facilitates the Dolby conferencing experience, including the Dolby Conference Phone, and the Dolby Voice Room solution.
- *Licensing Administration Fees.* We generate service fees for managing patent pools on behalf of third party patent owners through our wholly-owned subsidiary, Via.

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 highly dependent on and highly 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 are 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 in the following quarter. 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 2021, we recorded a favorable adjustment of approximately $21 million, which was primarily related to shipments that occurred in our fourth quarter of fiscal 2020 (July through September) and largely based on actual royalty statements received from licensees. In the second, third, and fourth quarters of fiscal 2021, we recorded favorable adjustments of $16 million, $14 million, and $3 million, respectively, each primarily related to shipments that occurred in the preceding fiscal quarter, 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 time of use of our technology, and therefore, we recognize revenue recoveries upon execution of the agreement as that is the point in time to 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 media processing and interactivity 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.

Via Administration Fee. We generate service fees for managing patent pools on behalf of third party patent owners through our wholly-owned subsidiary, Via. As an agent to licensors in the patent pool, Via 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 also has contracts where the fees are fixed. The revenue share Via 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.

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 24, 2021, we had $41.0 million of remaining performance obligations, 43% of which we expect to recognize as revenue in fiscal 2022, 18% in fiscal 2023, and the balance of 39% in fiscal years beyond 2023.

F. ***Disaggregation of revenue***

The following table presents a summary of the composition of our revenue for all periods presented:

	Fiscal Year Ended					
	September 24, 2021		September 25, 2020		September 27, 2019	
Revenue						
Licensing	$1,214,147	95%	$1,078,577	93%	$1,107,280	89%
Products and services	67,109	5%	83,215	7%	134,340	11%
Total revenue	**$1,281,256**	**100%**	**$1,161,792**	**100%**	**$1,241,620**	**100%**

The following table presents the composition of our licensing revenue for all periods presented:

	Fiscal Year Ended					
	September 24, 2021		September 25, 2020		September 27, 2019	
Licensing Revenue By Market						
Broadcast	$ 475,648	39%	$ 439,415	41%	$ 474,147	43%
Mobile	261,232	22%	226,972	21%	193,052	17%
CE	181,944	15%	152,608	14%	154,399	14%
PC	141,919	12%	132,302	12%	113,597	10%
Other	153,404	12%	127,280	12%	172,085	16%
Total licensing revenue	**$1,214,147**	**100%**	**$1,078,577**	**100%**	**$1,107,280**	**100%**

We license our technologies in approximately 60 countries, and our licensees distribute products that incorporate our technologies throughout the world. As shown in the table below, 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.

	Fiscal Year Ended					
	September 24, 2021		September 25, 2020		September 27, 2019	
Revenue By Geographic Location						
United States	$ 419,901	33%	$ 460,972	40%	$ 449,203	36%
International	861,355	67%	700,820	60%	792,417	64%
Total revenue	**$1,281,256**	**100%**	**$1,161,792**	**100%**	**$1,241,620**	**100%**

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, deferred revenue that is typically satisfied within one year, and deferred interest where we have significant financing. 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 year 2021, we recognized $14.0 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:

	September 24, 2021	September 25, 2020	Change ($)	Change (%)
Accounts receivable, net	$232,609	$180,340	$52,269	29%
Contract assets	182,316	161,357	20,959	13%
Contract liabilities—current	18,473	15,436	3,037	20%
Contract liabilities—non-current	23,713	24,342	(629)	(3)%

4. Composition of Certain Financial Statement Captions

The following tables present detailed information from our consolidated balance sheets as of September 24, 2021 and September 25, 2020 (amounts displayed in thousands).

Accounts Receivable and Contract Assets

	September 24, 2021	September 25, 2020
Trade accounts receivable	$160,112	$147,618
Accounts receivable from patent administration program licensees	81,241	48,630
Contract assets	182,524	161,357
Accounts receivable, gross and contract assets, gross	423,877	357,605
Less: allowance for credit losses	(8,952)	(15,908)
Total accounts receivable and contract assets, net	**$414,925**	**$341,697**

Accounts receivable, gross includes unbilled accounts receivable balances of $97.5 million and $62.1 million as of September 24, 2021 and September 25, 2020, respectively, 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's unconditional right to consideration related to their patent administration programs.

Allowance for Credit Losses	Beginning Balance	Charges/ (Credits) to G&A	Deductions	Ending Balance
For fiscal year ended:				
September 27, 2019	$ 5,258	$ 4,523	$ (6)	$ 9,775
September 25, 2020	9,775	7,689	(1,556)	15,908
September 24, 2021	15,908	(2,889)	(4,067)	8,952

Inventories

	September 24, 2021	September 25, 2020
Raw materials	$ 2,792	$ 3,770
Work in process	3,461	9,214
Finished goods	4,712	12,566
Total inventories	**$10,965**	**$25,550**

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 $1.9 million and $2.6 million of raw materials inventory within non-current assets as of September 24, 2021 and September 25, 2020, 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

	September 24, 2021	September 25, 2020
Prepaid expenses	$29,964	$17,884
Other current assets	32,773	35,138
Total prepaid expenses and other current assets	**$62,737**	**$53,022**

In fiscal year 2019, management committed to a plan to sell a property, which included land and a building, after the lease on the property expired and we re-assessed the real estate needs of our business. This property was previously classified as held for sale and was included in other current assets on the consolidated balance sheets, with a carrying value of $2.2 million as of September 25, 2020. In the first quarter of fiscal 2021, we finalized the sale on this property, and as a result, we realized a gain of $13.9 million, which was recorded to gain on sale of assets on the consolidated statements of operations. The property was 51% owned by the controlling interest, therefore 51% of the gain realized in gain on sale of assets has been attributed to the controlling interest.

Accrued Liabilities

	September 24, 2021	September 25, 2020
Amounts payable to patent administration program partners	$ 72,847	$ 60,427
Accrued compensation and benefits	107,322	89,684
Accrued professional fees	11,737	10,344
Unpaid property, plant, and equipment additions	17,839	15,102
Accrued customer refunds	14,151	10,053
Accrued market development funds	7,777	6,612
Other accrued liabilities	31,055	27,752
Total accrued liabilities	**$262,728**	**$219,974**

Other Non-Current Liabilities

	September 24, 2021	September 25, 2020
Supplemental retirement plan obligations	$ 4,877	$ 4,181
Non-current tax liabilities (1)	85,063	85,943
Other liabilities	15,370	32,030
Total other non-current liabilities	**$105,310**	**$122,154**

(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 investment 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, all of our investments are classified as AFS securities. Derivative contracts are used to hedge currency risk, these are carried at fair value and classified as other assets and other liabilities.

Our investment securities primarily consist of corporate bonds, municipal debt securities, government bonds, commercial paper, U.S. agency securities, and certificates of deposit. In addition, our cash and cash equivalents also consist of highly-liquid money market funds. 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 24, 2021						
		Unrealized			Estimated Fair Value		
	Cost	Gains	Losses	Total	Level 1	Level 2	Level 3
Cash and cash equivalents:							
Cash	$ 990,182	$—	$ —	$ 990,182	$ 990,182	$ —	$—
Cash equivalents:							
Money market funds	235,198	—	—	235,198	235,198	—	—
Cash and cash equivalents	1,225,380	—	—	1,225,380	1,225,380	—	—
Short-term investments:							
Certificate of deposit	1,795	—	—	1,795	—	1,795	—
U.S. agency securities	1,096	6	—	1,102	—	1,102	—
Government bonds	100	2	—	102	102	—	—
Commercial paper	5,184	2	—	5,186	—	5,186	—
Corporate bonds	18,850	116	—	18,966	—	18,966	—
Municipal debt securities	11,660	29	(1)	11,688	—	11,688	—
Short-term investments	38,685	155	(1)	38,839	102	38,737	—
Long-term investments:							
U.S. agency securities	2,264	13	(2)	2,275	—	2,275	—
Government bonds	11,784	38	(16)	11,806	4,966	6,840	—
Corporate bonds	32,116	61	(25)	32,152	—	32,152	—
Municipal debt securities	10,080	58	(8)	10,130	—	10,130	—
Other long-term investments [1]	6,456	—	—	6,456	—	—	—
Long-term investments	62,700	170	(51)	62,819	4,966	51,397	—
Total cash, cash equivalents, and investments	**$1,326,765**	**$325**	**$ (52)**	**$1,327,038**	**$1,230,448**	**$90,134**	**$—**
Investments held in supplemental retirement plan:							
Assets	$ 4,975	$—	$ —	$ 4,975	$ 4,975	$ —	$—
Included in prepaid expenses and other current assets and other non-current assets							
Liabilities	$ 4,975	$—	$ —	$ 4,975	$ 4,975	$ —	$—
Included in accrued liabilities and other non-current liabilities							
Currency derivatives as hedge instruments:							
Assets: Included in other current assets	$ —	$689	$ —	$ 689	$ —	$ 689	$—
Liabilities: Included in other accrued liabilities	—	—	(197)	(197)	—	(197)	—

(1) Other long-term investments as of September 24, 2021 is comprised of one equity method investment which is not carried at fair value of $6.5 million.

	September 25, 2020						
		Unrealized			Estimated Fair Value		
	Cost	Gains	Losses	Total	Level 1	Level 2	Level 3
Cash and cash equivalents:							
Cash	$ 856,740	$ —	$—	$ 856,740	$ 856,740	$ —	$—
Cash equivalents:							
Commercial paper	900	—	—	900	—	900	—
Money market funds	214,111	—	—	214,111	214,111	—	—
Government bonds	125	—	—	125	125	—	—
Cash and cash equivalents	1,071,876	—	—	1,071,876	1,070,976	900	—
Short-term investments:							
Certificate of deposit	2,277	1	—	2,278	—	2,278	—
U.S. agency securities	999	12	—	1,011	—	1,011	—
Government bonds	5,118	47	—	5,165	1,370	3,795	—
Commercial paper	4,727	4	—	4,731	—	4,731	—
Corporate bonds	18,754	87	(3)	18,838	—	18,838	—
Municipal debt securities	14,828	97	—	14,925	—	14,925	—
Short-term investments	46,703	248	(3)	46,948	1,370	45,578	—
Long-term investments:							
U.S. agency securities	2,214	56	—	2,270	—	2,270	—
Government bonds	5,137	80	—	5,217	1,633	3,584	—
Corporate bonds	24,657	419	(7)	25,069	—	25,069	—
Municipal debt securities	15,220	203	(6)	15,417	—	15,417	—
Other long-term investments (1)	4,176	—	—	4,176	—	—	—
Long-term investments	51,404	758	(13)	52,149	1,633	46,340	—
Total cash, cash equivalents, and investments	**$1,169,983**	**$1,006**	**$ (16)**	**$1,170,973**	**$1,073,979**	**$92,818**	**$—**
Investments held in supplemental retirement plan:							
Assets	$ 4,279	$ —	$—	$ 4,279	$ 4,279	$ —	$—
Included in prepaid expenses and other current assets and other non-current assets							
Liabilities	$ 4,279	$ —	$—	$ 4,279	$ 4,279	$ —	$—
Included in accrued liabilities and other non-current liabilities							
Currency derivatives as hedge instruments:							
Assets: Included in other current assets	$ —	$4,267	$—	$ 4,267	$ —	$ 4,267	$—
Assets: included in other non-current assets	—	369	—	369	—	369	—
Liabilities: Included in other accrued liabilities	—	—	(79)	(79)	—	(79)	—

(1) Other long-term investments as of September 25, 2020 is comprised of one equity method investment which is not carried at fair value of $4.7 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 24, 2021:

Asset Type	Primary Source	Update Frequency	Fair Value Methodology	Secondary Source
Level 1				
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
Level 2				
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 other-than-temporary declines in fair value. 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 as of September 24, 2021 and September 25, 2020 (in thousands):

	September 24, 2021		September 25, 2020	
	Less Than 12 Months		Less Than 12 Months	
Investment Type	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Certificate of deposit	$ 600	$—	$ —	$—
U.S. agency securities	1,449	(2)	—	—
Government bonds	8,940	(16)	—	—
Corporate bonds	22,964	(25)	7,076	(10)
Municipal debt securities	7,031	(9)	2,505	(6)
Total	**$40,984**	**$ (52)**	**$9,581**	**$ (16)**

As of September 24, 2021 and September 25, 2020, there were no gross unrealized losses and no AFS securities that were in an unrealized loss position for twelve months or greater. Although we had certain securities that were in an unrealized loss position for less than twelve months as of September 24, 2021, 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 24, 2021 and September 25, 2020, which are recorded within cash equivalents and both short and long-term investments in our consolidated balance sheets (in thousands):

	September 24, 2021		September 25, 2020	
Range of maturity	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within 1 year	$273,884	$274,037	$351,385	$351,582
Due in 1 to 2 years	40,739	40,874	29,799	30,006
Due in 2 to 3 years	15,506	15,490	18,749	18,713
Total	**$330,129**	**$330,401**	**$399,933**	**$400,301**

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 $66.4 million, $61.4 million, and $55.5 million in fiscal 2021, 2020, and 2019, respectively.

As of September 24, 2021 and September 25, 2020, PP&E consisted of the following (in thousands):

Property, Plant, and Equipment	**September 24, 2021**	**September 25, 2020**
Land	$ 42,041	$ 41,955
Buildings and building improvements	284,146	283,617
Leasehold improvements	88,549	83,764
Machinery and equipment	128,008	126,942
Computer equipment and software	258,981	230,800
Furniture and fixtures	33,565	31,845
Equipment provided under operating leases	214,109	199,561
Construction-in-progress	22,923	19,545
Property, plant, and equipment, gross	1,072,322	1,018,029
Less: accumulated depreciation	(537,941)	(476,066)
Property, plant, and equipment, net	**$ 534,381**	**$ 541,963**

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 controlling 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 11 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):

	Fiscal Year Ended	
	September 24, 2021	**September 25, 2020**
Lease cost		
Operating lease cost	$19,261	$23,570
Variable lease cost	755	1,175
Total lease cost	**$20,016**	**$24,745**

Total rent expense incurred under operating leases, including the portion of total rent expense which is payable to our principal stockholder, was $20.6 million in fiscal 2019.

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

	Fiscal Year Ended	
	September 24, 2021	**September 25, 2020**
Other information		
Cash paid for amounts included in the measurement of operating lease liabilities	$19,173	$22,043
Right-of-use assets obtained in exchange for operating lease obligations	5,225	34,198

Supplemental balance sheet information related to leases was as follows:

	September 24, 2021	**September 25, 2020**
Operating Leases		
Weighted-average remaining lease term	5.8 years	6.5 years
Weighted-average discount rate	3.1%	3.1%

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

	September 24, 2021 Operating Leases
Fiscal 2022	$17,767
Fiscal 2023	16,173
Fiscal 2024	13,617
Fiscal 2025	9,531
Fiscal 2026	5,973
Thereafter	17,128
Total undiscounted lease payments	80,189
Less: imputed interest	(8,071)
Total lease liabilities	$72,118

As Lessor

As a lessor, we lease our Dolby Cinema product solution to exhibitors, Dolby Voice equipment to cloud conferencing service providers, and lease or sublease real estate properties. The terms of these leases vary from 4 to 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, with the exception of certain leases of Dolby Voice equipment for which the customer has the option to purchase the equipment at fair value. 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 other income for our real estate property and to revenue for all other leases. 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 millions):

	Fiscal Year Ended	
	September 24, 2021	September 25, 2020
Operating Lease Income		
Variable operating lease income	$9.5	$10.4
Fixed operating lease income	4.2	3.7

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 $0.8 million and $0.7 million as of September 24, 2021 and September 25, 2020, respectively. Selling profit or loss arising from a sales-type lease is recorded at lease commencement and presented on a gross basis. Over the term of the lease, we recognize interest income on the net investment in the lease. We also recognize variable lease payments, if any, which are not material and not included in the net investment in the lease.

The following table presents the maturity analysis of fixed lease payments due to Dolby (in thousands):

	September 24, 2021	
	Operating Leases	Sales-Type Leases
Fiscal 2022	$2,524	$ 1,624
Fiscal 2023	2,452	1,623
Fiscal 2024	889	810
Fiscal 2025	212	397
Fiscal 2026	—	396
Thereafter	—	—
Total undiscounted cash flows	$6,077	4,850
Less: present value of lease payments (recognized as lease receivables)		(3,766)
Difference		**$ 1,084**

8. Goodwill and Intangible Assets

Goodwill

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

	Goodwill
Balance at September 27, 2019	**$334,829**
Translation adjustments	2,116
Balance at September 25, 2020	**$336,945**
Acquired goodwill	3,345
Translation adjustments	404
Balance at September 24, 2021	**$340,694**

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):

	September 24, 2021			September 25, 2020		
Intangible Assets, Net	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Acquired patents and technology	$343,280	$(233,789)	$109,491	$342,637	$(206,123)	$136,514
Customer relationships	65,822	(52,730)	13,092	64,740	(49,062)	15,678
Other intangible assets	22,972	(22,665)	307	22,969	(22,730)	239
Total	**$432,074**	**$(309,184)**	**$122,890**	**$430,346**	**$(277,915)**	**$152,431**

During fiscal 2020, we purchased various patents for purchase consideration of $2.9 million, and upon acquisition, these intangible assets had a weighted-average useful life of 14.0 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

$29.5 million, $29.5 million, and $29.7 million in fiscal 2021, 2020 and 2019, respectively. As of September 24, 2021, expected amortization expense of our intangible assets in future periods was as follows (in thousands):

Fiscal Year	Amortization Expense
2022	$ 29,256
2023	24,217
2024	21,921
2025	7,009
2026	6,164
Thereafter	34,323
Total	**$122,890**

9. Stockholders' Equity and Stock-Based Compensation

We provide stock-based awards as a form of compensation for employees, officers and directors. We have issued 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 24, 2021, we had authorized 500,000,000 Class A shares and 500,000,000 Class B shares. As of September 24, 2021, we had 64,986,316 shares of Class A common stock and 36,086,779 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

Following shareholder approval in January 2005, our 2005 Stock Plan was adopted by our Board of Directors on February 16, 2005. In February 2020, our stockholders approved the name change of our 2005 Stock Plan to the 2020 Stock Plan and certain other changes described in our proxy statement for our 2020 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 55.0 million shares of our Class A common stock have been authorized for issuance under the 2020 Stock Plan in total since inception of the plan. For awards granted prior to February 2011, 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 two shares for every one share subject to the award, and if returned to the 2020 Stock Plan, such shares will be counted as two shares for every one share returned. For those awards granted from February 2011 onward, 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 granted to employees and officers generally vest over four years, with 25% of the shares subject to the option 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. In fiscal 2016, we began granting PSOs to our executive officers with shares of our Class A common stock underlying such options. The contractual term for the PSOs is 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. If the minimum conditions are met, the PSOs earned will cliff vest on the third anniversary of the grant date, upon certification of achievement of the performance conditions by our Compensation Committee. Anywhere from 0% to 125% of the shares subject to a PSO may vest 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 executive officers that have vested:

Grant Date	Aggregate Shares Granted at Target Award	Aggregate Shares Exercisable at Vest Date (1)	Percentage Vested of Target Award	Vested Date
December 15, 2015	419,623	334,623	125%	December 2018
December 15, 2016	276,199	240,539	95%	December 2019
December 15, 2017	264,000	253,440	96%	December 2020

(1) Aggregate shares exercisable at vest date does not include any shares that were cancelled before the vest date after they were granted.

On December 15, 2018, we granted PSOs to our executive officers exercisable for an aggregate of 241,100 shares at the target award amount, which would be exercisable up to an aggregate of 301,375 shares at 125% of the target award amount. As of September 24, 2021, PSOs which would be exercisable for an aggregate of 604,737 shares at the target award amount (657,637 shares at up to 125% of the target award amount) were outstanding.

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

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (1)
	(in thousands)		*(in years)*	*(in thousands)*
Options outstanding at September 25, 2020	6,599	$53.30		
Grants	355	93.64		
Exercises	(2,256)	46.81		
Forfeitures and cancellations	(121)	70.49		
Options outstanding at September 24, 2021	4,577	59.18	5.86	$152,122
Options vested and expected to vest at September 24, 2021	4,453	58.70	5.80	150,770
Options exercisable at September 24, 2021	3,071	52.86	4.99	121,639

(1) Aggregate intrinsic value is based on the closing stock price of our Class A common stock on September 24, 2021 of $92.47 and excludes the impact of options that were not in-the-money.

Restricted Stock Units. Beginning in fiscal 2008, we began granting RSUs to certain directors, officers and employees. Awards granted to employees and officers generally vest over four years, with equal annual cliff-vesting. Awards granted from November 2010 onward to ongoing directors generally vest over approximately one year. Awards granted to new 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. Our 2020 Stock Plan also allows us to grant RSUs that vest based on the satisfaction of specific performance criteria. 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.

Performance-Based Restricted Stock Units. In the first quarter of fiscal 2020, we began granting PSUs to our executive 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 our executive 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. In valuing the PSUs which will be recognized as compensation cost, we used 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.

On December 15, 2020, we granted PSUs to our executive officers vesting for an aggregate of 66,138 shares at the target award amount, which would vest at 132,276 shares at 200% of the target award amount. On December 16, 2019, we granted PSUs to our executive officers vesting for an aggregate of 62,000 shares at the target award amount, which would vest at 124,000 shares at 200% of the target award amount. As of September 24, 2021, PSUs which would vest for an aggregate of 116,281 shares at the target award amount (232,562 shares at 200% of the target award amount) were outstanding.

The following table summarizes information about RSUs issued under our 2020 Stock Plan:

	Shares	Weighted-Average Grant Date Fair Value
	(in thousands)	
Non-vested at September 25, 2020	2,979	$62.70
Granted	1,687	91.15
Vested	(1,112)	60.16
Forfeitures	(219)	70.04
Non-vested at September 24, 2021	3,335	$77.46

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

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Restricted stock units—vest date fair value	$101,108	$72,426	$69,956

Employee Stock Purchase Plan. Our plan 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 and last day of the offering periods. 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.

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, and is determined using a blended combination of historical and implied volatility. 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:

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Expected term (in years)	4.88	4.91	4.90
Risk-free interest rate	0.4%	1.6%	2.7%
Expected stock price volatility	28.5%	24.2%	22.9%
Dividend yield	1.1%	1.3%	1.1%

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):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Stock options granted—weighted-average grant date fair value	$ 20.93	$ 13.76	$ 14.16
Stock options exercised—intrinsic value	102,812	47,267	33,226

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 8.85%, 9.74%, and 9.78% in fiscal 2021, 2020, and 2019, 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 24, 2021	**September 25, 2020**	**September 27, 2019**
Stock options	$ 13,724	$ 16,718	$ 17,742
Restricted stock units	80,705	65,235	54,650
Employee stock purchase plan	5,269	4,675	4,188
Total stock-based compensation	99,698	86,628	76,580
Estimated benefit from income taxes	(15,790)	(14,090)	(12,884)
Total stock-based compensation, net of tax	**$ 83,908**	**$ 72,538**	**$ 63,696**

Expense—By Income Statement Classification

	Fiscal Year Ended		
	September 24, 2021	**September 25, 2020**	**September 27, 2019**
Cost of products and services	$ 2,033	$ 2,072	$ 1,710
Research and development	29,733	25,634	23,191
Sales and marketing	36,432	31,915	28,137
General and administrative	31,500	27,007	23,542
Total stock-based compensation	99,698	86,628	76,580
Estimated benefit from income taxes	(15,790)	(14,090)	(12,884)
Total stock-based compensation, net of tax	**$ 83,908**	**$ 72,538**	**$ 63,696**

The tax benefit that we recognize from shares issued under our ESPP is excluded from the tables above. The tax benefit recognized was $1.2 million in fiscal 2021, and was not material in fiscal 2020 and fiscal 2019.

Unrecognized Compensation Expense. As of September 24, 2021, total unrecognized compensation expense associated with employee stock options expected to vest was approximately $17.3 million, which is expected to be recognized over a weighted-average period of 2.0 years. As of September 24, 2021, total unrecognized compensation expense associated with RSUs expected to vest was approximately $170.4 million, which is expected to be recognized over a weighted-average period of 2.4 years.

Common Stock Repurchase Program

In November 2009, we announced a stock repurchase program ("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 24, 2021 (in thousands):

Authorization Period	Authorization Amount
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
Total	**$2,350,000**

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 24, 2021, the remaining authorization to purchase additional shares was $291.3 million.

The following table provides information regarding share repurchase activity under the program during fiscal 2021:

Quarterly Repurchase Activity	Shares Repurchased	Cost (1) (in thousands)	Average Price Paid Per Share (2)
Q1 - Quarter ended December 25, 2020	450,399	$ 39,985	$88.78
Q2 - Quarter ended March 26, 2021	757,019	70,790	93.51
Q3 - Quarter ended June 25, 2021	404,232	38,989	96.45
Q4 - Quarter ended September 24, 2021	972,216	96,100	98.85
Total	**2,583,866**	**$245,864**	

(1) Cost of share repurchases includes the price paid per share and applicable commissions.

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

Dividend Program

The following table summarizes dividends declared under the program during fiscal 2021:

Fiscal Period	Announcement Date	Record Date	Payment Date	Cash Dividend Per Common Share	Estimated Dividend Payment(1)
Q1 - Quarter ended December 25, 2020	January 28, 2021	February 9, 2021	February 19, 2021	$0.22	$22.4 million
Q2 - Quarter ended March 26, 2021	May 4, 2021	May 17, 2021	May 25, 2021	$0.22	$22.3 million
Q3 - Quarter ended June 25, 2021	July 29, 2021	August 11, 2021	August 19, 2021	$0.22	$22.3 million
Q4 - Quarter ended September 24, 2021	November 16, 2021	November 30, 2021	December 8, 2021	$0.25	$25.3 million

(1) The dividend payment amount 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 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 24, 2021				Fiscal Year Ended September 25, 2020			
	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total	Investment Securities	Cash Flow Hedges	Currency Translation Adjustments	Total
Beginning Balance	**$ 818**	**$ 3,969**	**$(15,381)**	**$(10,594)**	**$ 2,198**	**$ —**	**$(22,823)**	**$(20,625)**
Other comprehensive income before reclassifications:								
Unrealized gains/(losses)	(917)	(12,704)	—	(13,621)	(5,393)	5,270	—	(123)
Foreign currency translation gains (1)	—	—	5,754	5,754	—	—	7,420	7,420
Income tax effect—benefit/(expense)	120	415	(501)	34	(87)	(581)	22	(646)
Net of tax	(797)	(12,289)	5,253	(7,833)	(5,480)	4,689	7,442	6,651
Amounts reclassified from AOCI into earnings:								
Realized gains/(losses) (1)	211	9,032	—	9,243	4,939	(894)	—	4,045
Income tax effect—benefit/(expense) (2)	(12)	(834)	—	(846)	(839)	174	—	(665)
Net of tax	199	8,198	—	8,397	4,100	(720)	—	3,380
Net current-period other comprehensive income/(loss)	**(598)**	**(4,091)**	**5,253**	**564**	**(1,380)**	**3,969**	**7,442**	**10,031**
Ending Balance	**$ 220**	**$ (122)**	**$(10,128)**	**$(10,030)**	**$ 818**	**$3,969**	**$(15,381)**	**$(10,594)**

(1) 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.

(2) 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 24, 2021	September 25, 2020	September 27, 2019
Numerator:			
Net income attributable to Dolby Laboratories, Inc.	$310,227	$231,363	$255,151
Denominator:			
Weighted-average shares outstanding—basic	101,190	100,564	101,629
Potential common shares from options to purchase common stock	1,994	1,400	1,922
Potential common shares from restricted stock units	1,376	941	1,021
Potential common shares from employee stock purchase plan	62	39	—
Weighted-average shares outstanding—diluted	104,622	102,944	104,572
Net income per share attributable to Dolby Laboratories, Inc.:			
Basic	$ 3.07	$ 2.30	$ 2.51
Diluted	$ 2.97	$ 2.25	$ 2.44
Antidilutive awards excluded from calculation:			
Stock options	235	3,209	2,340
Restricted stock units	48	2	1
Employee stock purchase plan	2	1	—

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 both 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 24, 2021	September 25, 2020	September 27, 2019
United States	$104,741	$ 32,426	$ 60,500
Foreign	249,771	207,289	221,807
Total income before income taxes	**$354,512**	**$239,715**	**$282,307**

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Current:			
Federal	$ 7,216	$(48,517)	$ 14,144
State	953	735	394
Foreign	65,568	61,153	64,335
Total current	73,737	13,371	78,873
Deferred:			
Federal	(36,035)	(4,674)	(55,793)
State	(63)	(111)	1,007
Foreign	(950)	(490)	2,715
Total deferred	(37,048)	(5,275)	(52,071)
Provision for income taxes	**$ 36,689**	**$ 8,096**	**$ 26,802**

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 2021, we repatriated $200 million of foreign subsidiary earnings which were exempt from foreign withholding tax. As of September 24, 2021, the total undistributed earnings of our foreign subsidiaries were approximately $239 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):

	Fiscal Year Ended	
	September 24, 2021	September 25, 2020
Deferred income tax assets:		
Investments	$ 1,439	$ 1,899
Inventories	6,551	6,863
Net operating loss	3,305	3,450
Accrued expenses	17,686	13,839
Stock-based compensation	16,926	17,397
Revenue recognition	4,245	4,374
Depreciation and amortization	81,963	45,572
Lease liability	15,377	17,655
Research and development credits	31,635	31,795
Foreign tax credits	12,793	12,161
Deemed repatriated earnings tax benefit	9,788	9,788
Other	4,801	4,765
Total gross deferred income tax assets	206,509	169,558
Less: valuation allowance	(33,284)	(30,416)
Total deferred income tax assets	173,225	139,142
Deferred income tax liabilities:		
Right of use asset	(14,288)	(17,360)
Intangible assets	(2,917)	(2,901)
Deferred income tax assets, net	**$156,020**	**$118,881**

Net Operating Losses and Tax Credit Carryforwards

As of September 24, 2021, the NOL carryforwards for U.S. federal and California were $3.6 million and $7.2 million, respectively, and will start to expire in fiscal 2034 and 2029, respectively. Additionally, we had foreign NOL carryforwards of $9.8 million as of September 24, 2021, an amount which is not subject to expiration. As of September 24, 2021, we had foreign tax credit and federal R&D tax credit carryforwards of $7.9 million and $13.0 million, respectively, which will start to expire in fiscal 2029 and fiscal 2035, respectively. We had California R&D tax credits of $34.3 million, which will carry forward indefinitely, and foreign R&D tax credits of $3.0 million, which will start to expire in fiscal 2028.

Valuation Allowance

As of September 24, 2021, a $25.7 million valuation allowance was recorded against California deferred tax assets, a $2.0 million valuation allowance was recorded against federal foreign tax credit deferred tax assets, and a $5.6 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 24, 2021	**September 25, 2020**	**September 27, 2019**
Federal statutory rate	21.0%	21.0%	21.0%
State income taxes, net of federal effect	0.2	0.2	0.2
Stock-based compensation	(5.6)	(2.7)	(1.9)
Research and development tax credits	(2.6)	(3.0)	(4.7)
Foreign-derived intangible income deduction	(2.2)	(2.2)	(0.7)
U.S. tax on foreign entities	0.8	3.1	0.6
Foreign rate differential	(3.4)	(1.8)	(4.4)
Increase (decrease) unrecognized tax benefit	2.0	(12.9)	3.4
Tax Act	—	—	(7.6)
Change in Valuation Allowance	—	—	1.5
Other	0.1	1.7	2.1
Effective tax rate	**10.3%**	**3.4%**	**9.5%**

Our effective tax rate was 10.3% in fiscal 2021, compared with our federal statutory rate of 21.0%, and with our effective tax rate in fiscal 2020 of 3.4%. The increase in our effective tax rate is primarily related to a benefit in fiscal 2020 from reversals of unrecognized tax benefits that did not recur in fiscal 2021 partially offset by higher benefits in fiscal 2021 related to changes in jurisdictional mix of income and settlement of stock-based awards.

Our effective tax rate in fiscal 2020 decreased as compared to the effective tax rate in fiscal 2019 of 9.5% due to reversals of unrecognized tax benefits in fiscal 2020. The effective tax rate in fiscal 2019 also included a benefit from updated calculations related to the Tax Act.

Uncertain Tax Positions

As of September 24, 2021, the total amount of gross unrecognized tax benefits was $66.1 million, of which $43.6 million, if recognized, would reduce our effective tax rate. Our liability increased from fiscal 2020 primarily due to additional accruals in fiscal 2021. 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 there will be no reduction to this amount. Aggregate changes in the balance of gross unrecognized tax benefits, excluding interest and penalties, were as follows (in thousands):

	Fiscal Year Ended		
	September 24, 2021	**September 25, 2020**	**September 27, 2019**
Beginning Balance	**$60,691**	**$108,539**	**$102,009**
Gross increases—tax positions taken during prior years	220	5,504	115
Gross decreases—tax positions taken during prior years	(247)	—	—
Gross increases—tax positions taken during current year	6,979	7,509	6,822
Gross decreases—settlements with tax authorities during current year	(875)	(37)	—
Lapse of statute of limitations	(662)	(60,824)	(407)
Ending Balance	**$66,106**	**$ 60,691**	**$108,539**

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 2021, our current tax provision was increased by interest expense of $1.0 million, while in fiscal year 2020, our current tax provision was decreased by interest expense of $6.3 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 24, 2021 and September 25, 2020 were as follows (in thousands):

	Fiscal Year Ended	
	September 24, 2021	**September 25, 2020**
Accrued interest	$5,030	$4,017
Accrued penalties	47	45
Total	**$5,077**	**$4,062**

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. The material income tax jurisdictions are the U.S. federal, California, New York, and the Netherlands.

We are currently under audit by the state of Oregon for fiscal years 2016 through 2018, state of New York for fiscal years 2017 through 2019, and Spain for fiscal years 2014 through 2016. In addition, our fiscal 2014 amended U.S. federal tax return is currently under review. Aside from the years still under audit noted above, the statute remains open for fiscal years 2017 and onward for U.S. federal, state, and foreign purposes. Therefore, these periods may be subject to examination by the tax authorities.

Management does not believe that the outcome of any ongoing examination will have a material impact on 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.

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 2021 Restructuring Events. In October 2020, we implemented a plan to reduce certain activities, such as exiting our conferencing hardware business, in order to focus our efforts on higher priority investment areas, and reduce the cost structure of our manufacturing operations. As a result, we recorded $9.5 million in restructuring costs in fiscal 2021, primarily representing severance and other related benefits offered to approximately 100 employees that were impacted by this action. Actions related to this plan have substantially completed as of the end of fiscal 2021. The table presented below summarizes the changes in our restructuring accruals (in thousands):

	Severance	Leased facility exit costs and other costs	Total
Balance at September 27, 2019	**$ 128**	**$ 15,723**	**$ 15,851**
Restructuring charges	—	1,821	1,821
Cash payments	(75)	(22,119)	(22,194)
Non-cash and other adjustments	(53)	4,575	4,522
Balance at September 25, 2020	**$ —**	**$ —**	**$ —**
Restructuring charges	9,522	718	10,240
Cash payments and adjustments	(9,359)	(714)	(10,073)
Balance at September 24, 2021	**$ 163**	**$ 4**	**$ 167**

The activities during fiscal 2020 reflects the impact of our early exit of a leased facility and related strategic reorganization of our marketing function as a part of the fiscal 2019 restructuring plan.

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 24, 2021 (in thousands):

	Payments Due By Fiscal Period						
	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025	Fiscal 2026	Thereafter	Total
Naming rights	$ 8,015	$ 8,116	$8,219	$8,322	$8,428	$52,849	$ 93,949
Purchase obligations	17,108	2,123	979	—	—	—	20,210
Donation commitments	3,462	44	44	44	44	71	3,709
Total	**$28,585**	**$10,283**	**$9,242**	**$8,366**	**$8,472**	**$52,920**	**$117,868**

Naming Rights. We are party to an agreement 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. 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 protracted closure of the Dolby Theatre.

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 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. 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. Furthermore, we have not historically made any payments in connection with any such obligation and believe there to be a remote likelihood that any potential exposure in future periods would be of a material amount. As a result, no amounts have been accrued in our consolidated financial statements with respect to the contingent aspect of these indemnities.

15. 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.

Revenue Category	Basis For Determining Geographic Location
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

Location	Fiscal Year Ended September 24, 2021	Fiscal Year Ended September 25, 2020	Fiscal Year Ended September 27, 2019
United States	$ 419,901	$ 460,972	$ 449,203
International	861,355	700,820	792,417
Total revenue	**$1,281,256**	**$1,161,792**	**$1,241,620**

Revenue Concentration—Significant Individual Geographic Regions

Location	Fiscal Year Ended September 24, 2021	Fiscal Year Ended September 25, 2020	Fiscal Year Ended September 27, 2019
United States	33%	40%	36%
South Korea	14%	12%	12%
China	23%	20%	20%
Japan	11%	9%	11%
Europe	10%	10%	12%
Other	9%	9%	9%
Total	**100%**	**100%**	**100%**

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

Location	September 24, 2021	September 25, 2020
United States	$432,968	$453,889
International	101,413	88,074
Total long-lived tangible assets, net of accumulated depreciation	**$534,381**	**$541,963**

16. 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. 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 feasible to provide an estimate of any such potential losses.

17. 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 are the limited member or LP in each of these entities, they have a controlling interest based on holding majority economic ownership. We are the managing member or general partner in each of these affiliated entities, and with the exception of isolated instances where portions of these facilities are leased to third parties, we occupy the majority of the space. 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 controlling 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 24, 2021 were as follows:

Entity Name	Minority Ownership Interest	Location Of Properties
Dolby Properties Burbank, LLC	49.0%	Burbank, California
Dolby Properties, LP	10.0%	Wootton Bassett, England

The property leased to Dolby Laboratories through Dolby Properties Brisbane, LLC, located in Brisbane, California, was sold during fiscal 2021. We maintain a 49.0% minority ownership interest in the affiliated entity. Refer to Note 4 to the consolidated financial statements for more information.

We 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. In fiscal 2019, we ceased occupancy of the facility, and as a result, we incurred $33.5 million in restructuring charges recorded as operating expenses in our consolidated statements of operations. Related party rent expense and restructuring charges included in operating expenses in our consolidated statements of operations were as follows (in thousands):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Related party rent expense and restructuring charges included in operating expenses	$(392)	$126	$16,360

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

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Distributions to principal stockholder	$(7,362)	$(283)	$(1,015)

18. 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):

	Fiscal Year Ended		
	September 24, 2021	September 25, 2020	September 27, 2019
Retirement plan expenses	$26,379	$25,257	$23,375

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 Securities Exchange Act of 1934, as amended ("Exchange Act"), 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 Chief Executive Officer ("CEO") and Chief Financial Officer ("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 24, 2021 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 24, 2021. 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

There were no changes in our internal control over financial reporting during the fiscal quarter ended September 24, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We will continue to monitor the evolving COVID-19 pandemic to assess any impact it may have on the design and operating effectiveness of our internal control over financial reporting. The Company’s internal business operations, including financial reporting systems and internal control over financial reporting, have not been materially impacted by COVID-19.

ITEM 9B. OTHER INFORMATION

None.

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 Securities Exchange Act of 1934, as amended ("Exchange Act"), 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," "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 2022 ("2022 Proxy Statement").

Executive Officers of the Registrant

Our executive officers serve at the discretion of the Board of Directors. The names of our executive officers and their ages, titles, and biographies as of October 29, 2021 are set forth below:

Executive Officers	Age	Position(s)
Kevin Yeaman	55	President and Chief Executive Officer
Robert Park	51	Senior Vice President and Chief Financial Officer
Andy Sherman	54	Executive Vice President, General Counsel and Corporate Secretary
Giles Baker	45	Senior Vice President, Consumer Entertainment
Steven Forshay	67	Senior Vice President, Advanced Technology Group
Todd Pendleton	49	Senior Vice President, and Chief Marketing Officer

Kevin Yeaman joined us as Chief Financial Officer and Vice President in October 2005, was appointed Senior Vice President in November 2006 and Executive Vice President in July 2007. He became our President and CEO in March 2009 and has been a member of our Board since he assumed the role of CEO. Prior to joining us, he worked for seven years at E.piphany, Inc., a publicly traded enterprise software company, most recently as Chief Financial Officer from August 1999 to October 2005. Previously, Mr. Yeaman also served as Worldwide Vice President of Field Finance Operations for Informix Software, Inc., a provider of relational database software, from February 1998 to August 1998. From September 1988 to February 1998, Mr. Yeaman served in Silicon Valley and London in various positions at KPMG LLP, an accounting firm, serving most recently as a senior manager. Mr. Yeaman is a member of the Academy of Motion Picture Arts and Sciences. He also sits on the Board of Trustees of the Academy Museum Foundation. He holds a B.S. degree in commerce from Santa Clara University.

Robert Park joined us as Senior Vice President and Chief Financial Officer in October 2021. Mr. Park leads the global finance organization and is responsible for all finance functions, information technology, and investor relations. Mr. Park has over 25 years of financial and strategic business experience. Mr. Park served as the Chief Financial Officer of BlueJeans, a cloud-based enterprise video conferencing and communications company, since April 2016. Prior to BlueJeans, Mr. Park held a variety of positions of increasing responsibility at multiple public and private companies. Mr. Park began his finance career with Ernst & Young LLP, an accounting firm, serving numerous clients across various industries. Mr. Park holds a B.S. degree in Business Administration with a concentration in accounting from California Polytechnic State University, San Luis Obispo.

Andy Sherman joined us as Executive Vice President, General Counsel and Corporate Secretary in January 2011. Mr. Sherman oversees Dolby's patent licensing businesses and government relations, and Dolby's worldwide legal affairs, including all corporate, regulatory, IP, litigation, and licensing activities. Prior to joining us, from June 2008 to January 2011, Mr. Sherman served as Senior Vice President and General Counsel at CBS Interactive, an online content network, where he led the legal group advising CBS's online entertainment, mobile, technology, sports, news, games, lifestyle, and international business units. Mr. Sherman joined CBS Interactive following CBS's acquisition of CNET Networks, an online content network, where from June 2007 to

June 2008 he was Senior Vice President, General Counsel and Secretary. Before CNET, Mr. Sherman served as Vice President, Legal at Sybase, an enterprise software and services company, from November 2006 to May 2007, following Sybase's acquisition of Mobile 365, where he was Vice President, General Counsel and Secretary. Prior to joining Mobile 365, he held senior legal positions with global responsibility at a variety of public technology companies including PeopleSoft and E.piphany. Earlier in his career, Mr. Sherman worked in private practice with Gray Cary Ware & Freidenrich (now DLA Piper), focusing on the representation of emerging technology companies. Mr. Sherman holds a J.D. from the University of the Pacific, as well as a B.S. degree in business administration from the University of Southern California.

Giles Baker joined us in March 2010 and has served since in a variety of positions, including Vice President, Broadcast Business Group; Senior Vice President, Broadcast Business Group; and since October 2016, Senior Vice President, Consumer Entertainment. Mr. Baker focuses on Dolby's business in the consumer entertainment industry, leading a global team that builds complete industry solutions—from content production to distribution and playback—to bring immersive entertainment experiences to consumer devices, including TVs, game consoles, PCs, digital media adapters, mobile phones, and tablets. Before joining Dolby, Mr. Baker spent nearly 10 years in business leadership roles at Adobe Systems, where he was responsible for professional video software. Previously, he was responsible for the professional DVD authoring business at Sonic Solutions. Mr, Baker holds an undergraduate degree in music and sound recording from the University of Surrey in the U.K. and an MBA degree from the Wharton School.

Steven Forshay joined us in July 1982 and has served since in a variety of positions advancing our technologies, including Senior Vice President, Research; Senior Vice President of Research for Image and Sound; Senior Vice President, Sound Technology R&D; and since January 2015, Senior Vice President, Advanced Technology Group. Mr. Forshay is a member of the Audio Engineering Society, the Institute of Electrical and Electronics Engineers, and the Society of Motion Picture and Television Engineers. Mr. Forshay holds a B.S.E.E. degree in electrical engineering from the New Jersey Institute of Technology and a M.B.A. from Saint Mary's College of California.

Todd Pendleton joined us in July 2018 as Senior Vice President and Chief Marketing Officer. He leads Dolby's marketing efforts and is responsible for promoting the brand globally to consumers and through its partners. Prior to Dolby, from June 2011 to June 2018, Mr. Pendleton served as Chief Marketing Officer of Samsung Telecommunications America, where he among other things led the relaunch of the Samsung Galaxy. Prior to Samsung Telecommunications America, Mr. Pendleton was with Nike for over 15 years, where he held country, regional, and global leadership roles working across North America, Europe, and Asia. Mr. Pendleton earned his B.A. degree in Political Science and International Business from Northeastern University in Boston, Massachusetts.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item concerning executive compensation is incorporated by reference from the information in the 2022 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 2022 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 2022 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 2022 Proxy Statement under the heading "Ratification of Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS, 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	April 30, 2009
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*	2000 Stock Incentive Plan, as amended and restated	Quarterly Report on Form 10-Q	February 6, 2013
10.3+*	2020 Stock Plan, as amended and restated on July 26, 2021 ("2020 Stock Plan")		
10.4*	Employee Stock Purchase Plan ("ESPP"), as amended and restated on September 19, 2017	Annual Report on Form 10-K	November 16, 2017
10.5*	Forms of Stock Option Agreements under the 2000 Stock Incentive Plan	Registration Statement on Form S-1 (No. 333-120614)	November 19, 2004
10.6*	Form of Global Stock Option Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.7*	Form of Executive Global Stock Option Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.8*	Form of Global Restricted Stock Unit Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017

Exhibit Number	Description	Incorporated by Reference Herein Form	Date
10.9*	Form of Executive Global Restricted Stock Unit Agreement under the 2020 Stock Plan	Quarterly Report on Form 10-Q	February 2, 2017
10.10*	Form of Subscription Agreement under the ESPP—U.S. Employees	Annual Report on Form 10-K	November 19, 2009
10.11*	Form of Subscription Agreement under the ESPP—Non-U.S. Employees	Quarterly Report on Form 10-Q	August 8, 2012
10.12*	Form of Executive Performance-Based Stock Option Agreement	Current Report on Form 8-K	December 11, 2015
10.13*	Form of Executive Performance-Based Restricted Stock Units	Quarterly Report on Form 10-Q	January 29, 2020
10.14*	2020 Dolby Executive Bonus Plan	Current Report on Form 8-K	November 18, 2019
10.15*	Employment Agreement dated February 24, 2009, by and between Dolby Laboratories, Inc. & Kevin Yeaman	Quarterly Report on Form 10-Q	April 30, 2009
10.16*	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
10.17*	Offer Letter by and between Andy Sherman & Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	May 10, 2011
10.18*	Offer Letter dated March 22, 2012 by and between Lewis Chew and Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	May 8, 2012
10.19*	Lease for 100 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	February 8, 2006
10.20*	First Amendment to Lease for 100 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	May 4, 2006
10.21*	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
10.22*	Lease for 130 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	February 8, 2006

Exhibit Number	Description	Incorporated by Reference Herein	
		Form	Date
10.23*	First Amendment to 130 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
10.24*	Lease for 140 Potrero Avenue, San Francisco, California	Quarterly Report on Form 10-Q	February 8, 2006
10.25*	First Amendment to 140 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
10.26*	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
10.27*	Agreement of Sale and Purchase by and between DWF III 1275 Market, LLC and Dolby Laboratories, Inc. dated June 8, 2012	Quarterly Report on Form 10-Q	August 8, 2012
10.28*	Offer Letter dated June 26, 2018 by and between Todd Pendleton and Dolby Laboratories, Inc.	Quarterly Report on Form 10-Q	August 1, 2018
10.29+*	Offer Letter dated February 11, 2010 by and between Giles Baker and Dolby Laboratories, Inc.		
10.30*	French Sub-Plan to the 2020 Stock Plan	Quarterly Report on Form 10-Q	July 29, 2021
10.31*	Form of Restricted Stock Unit Agreement—France	Quarterly Report on Form 10-Q	July 29, 2021
21.1+	List of significant subsidiaries of the Registrant		
23.1+	Consent of KPMG LLP, Independent Registered Public Accounting Firm		
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		

Exhibit Number	Description	Incorporated by Reference Herein	
		Form	Date
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, 2021

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.

SIGNATURE	TITLE	DATE
/S/ PETER GOTCHER **Peter Gotcher**	Chairman of the Board of Directors	November 16, 2021
/S/ KEVIN J. YEAMAN **Kevin J. Yeaman**	President, Chief Executive Officer and Director (Principal Executive Officer)	November 16, 2021
/S/ ROBERT PARK **Robert Park**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	November 16, 2021
/S/ RYAN NICHOLSON **Ryan Nicholson**	Vice President, Corporate Controller (Principal Accounting Officer)	November 16, 2021
/S/ MICHELINE CHAU **Micheline Chau**	Director	November 16, 2021
/S/ DAVID DOLBY **David Dolby**	Director	November 16, 2021
/S/ EMILY ROLLINS **Emily Rollins**	Director	November 16, 2021
/S/ SIMON SEGARS **Simon Segars**	Director	November 16, 2021
/S/ ROGER SIBONI **Roger Siboni**	Director	November 16, 2021
/S/ ANJALI SUD **Anjali Sud**	Director	November 16, 2021
/S/ AVADIS TEVANIAN, JR. **Avadis Tevanian, Jr.**	Director	November 16, 2021

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Dolby Laboratories (NYSE: DLB) is based in San Francisco 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.

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

Steven Forshay
Senior Vice President, Advanced Technology Group

Todd Pendleton
Senior Vice President and Chief Marketing Officer

Outside Directors*

Peter Gotcher
Chairman of the Board of Directors

Micheline Chau
David Dolby
Emily Rollins
Simon Segars
Roger Siboni
Anjali Sud
Avadis Tevanian, Jr.

Investor Relations

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1275 Market Street
San Francisco, CA 94103-1410
http://investor.dolby.com
investor@dolby.com

Transfer Agent and Registrar

Computershare Trust Company, N.A.
P.O. Box 505000
Louisville, KY 40233-5000
800-587-3984
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.

*As of November 17, 2021 filing date of 2021 Annual Report

DOLBY

Investor Relations
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