Risk Factors Comparison 2023-11-17 to 2022-11-18 Form: 10-K

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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 variants of SARS- CoV- 2, has impacted and will continue to impact 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, it is unclear how demand for consumer products that include our technologies may change in response to the ongoing pandemic. 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. 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. We may also be negatively impacted by delays in transaction cycles and our recoveries efforts due to ongoing global restrictions related to the pandemic. The cinema market has been adversely impacted by COVID- 19. At various times, our exhibition partners and customers have had to either partially or fully discontinue operations. Box office receipts at Dolby Cinema sites and general demand for our cinema products and services have been, and we expect to remain, lower than that of pre- pandemic levels. Most cinema locations have been permitted to resume operations, but many such locations are operating under restricted capacity. Further, the spread of variants of SARS- CoV- 2 may result in renewed government responses. 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 during the course of the pandemic and long- term. We have modified our workforce policies in light of COVID- 19 and changing norms, including implementing a flex work program and modifying health and safety policies. We continue to monitor COVID- 19 developments, including community transmission and hospitalization rates along with local requirements and we may take further actions that we determine are in the best interests of our employees, licensees, partners, and community. Such actions may adversely impact our productivity and cause delays, which 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 COVID- 19 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, additional actions taken by governments, businesses and consumers in response to the pandemic, 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 may occur. Specifically, difficult macroeconomic conditions, such as rising inflation, ongoing supply chain constraints, decreases in per capita income and levels of disposable income, increased rates of resignation or a decline in consumer confidence as a result of COVID- 19 or otherwise, could have an adverse effect on our results of operations.~~ Markets We Target ~~Dependence~~ **Our licensing business depends** on **the incorporation of our technologies into products and the** ~~Sales~~ **sales** ~~by Licensees~~ **of such products, which are, in large part, not within our control** . 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~~ **mandate** 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.~~ Changing trends in **content distribution and consumption may negatively impact our business. Changing trends in** the way that ~~media~~ **content** is distributed and consumed may impact our existing business and future opportunities for growth. One such trend is the shift by consumers in certain markets 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. **Other changes to the way content is distributed and consumed may impact our licensing and other businesses in a similar fashion, and we may not be able to anticipate and respond effectively to such future changes. The** ~~Mobile~~ **mobile** ~~Industry Risks~~ **device market is concentrated and susceptible to competition and rapid change, which may negatively affect our penetration and pricing in that market** . 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 usually 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 addition, because the mobile industry is concentrated, 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. In order to increase the value of our technologies in the mobile market and increase OEM and software vendor demand for our decoding technologies, we have worked with online and mobile media content service providers to encode their content with our 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, ~~current~~ macroeconomic conditions due to inflation, ~~COVID- 19,~~ geopolitical instability **, global health risks** , and other factors may adversely impact consumer demand for mobile devices ~~, and~~ **. Such conditions** may continue to adversely impact the ability of our partners to manufacture such devices, supply chain and distribution, **the** timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products. **Our revenue from the** PC ~~Industry~~ **market is reliant on key partnerships and is vulnerable to macroeconomic** ~~Risks~~ **risks** . **Our** ~~Revenue~~ **revenue** from ~~our~~ **the** PC market depends on several factors, including underlying PC unit shipments, the extent to which our technologies are included on computers, including through operating systems **and various subsystems** ~~, 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. **Further,** ~~COVID- 19 may also adversely impact consumer~~ demand for PCs ~~,~~ **has recently been declining** and **it remains uncertain when, if, and to what extent PC demand will return to historic levels. Such conditions** may **also** continue to adversely impact PC manufacturing, supply chain and distribution, **the** timing of the adoption of our technologies into products by partners and licensees, and the timing of launches for new products. **The success of Dolby** Cinema **and cinema product sales are subject to a number of factors beyond our control, such as the production of films in Dolby formats and broader cinema** ~~Industry~~ **industry** ~~Risks~~ **conditions** . Revenue from Dolby Cinema and cinema product sales is subject to **our ability to develop and implement new technologies,** the pace of construction or upgrade of screens, the financial stability of exhibitors, the advent of new or competing technologies, **and** 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~~ . ~~Revenue from Dolby Cinema and cinema products sales is also subject to macroeconomic conditions that could negatively impact discretionary consumer spending, including inflation and recession. Further, although~~ **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~~ **collaborate** 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~~ **is** 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 **and cinema products** depends in large part on our ability to differentiate our offering, deploy new sites **and installations** 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. **To the extent that we do not make progress in** ~~These~~ **these** ~~factors~~ **areas or are faced with pricing pressures or competing technologies, our revenue may be adversely impacted. Our revenue and associated demand for Dolby Cinema and cinema products are affected by cinema industry and macroeconomic conditions, which** are subject to ~~increased risk~~ **risks** ~~due to~~ **including consumer trends and box office performance generally, delays in cinematic releases, the seasonality of film releases and associated moviegoing attendance, and other events or conditions in the cinema industry. Cinema attendance and revenues have been reduced in the wake of** COVID- 19 **and** ~~, including related government responses. Further,~~ it remains uncertain when **, if, and to what extent** ~~cinemas~~ **cinema attendance** will return to ~~full capacity and how quickly moviegoers will return to theaters at~~ pre- pandemic levels. ~~Our~~ **Additionally, the recently concluded strikes by the Writers Guild of America and the Screen Actors Guild- American Federation of Television and Radio Artists (" SAG- AFTRA ") effectively halted the production, release and promotion of certain films for an extended period. The resulting impacts of those stoppages may lead to decreased box office receipts in the near term, which would directly impact the** revenue **generated by Dolby Cinema theaters** and ~~associated demand from~~ **could potentially impact exhibitors' willingness and ability to invest in Dolby** cinema ~~product~~ **products** ~~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~~ **Also, a** portion of our opportunity lies in the China market, which is subject to unique economic and geopolitical risks. Furthermore, future growth of our cinema products ~~business~~ **offerings** 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 **such cinema industry and** ~~we do not make progress in these areas, or are faced with pricing pressures, competing technologies, or other global~~ macroeconomic challenges **constrain the growth of our Dolby Cinema and cinema products offerings** , our revenue may be adversely impacted. Customers and Distributors **The** ~~Loss~~ **loss** of ~~Key~~ **a key** ~~Licensee~~ **licensee** or ~~Customer~~ **customer may materially impact our revenue** . A small number of our licensees or **other** customers may represent a significant percentage of our licensing, products, or services revenue. Although we generally have agreements with these licensees ~~or~~ **and other** 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. **In** ~~As a result of our increased presence across~~ consumer electronic device markets ~~where~~ **,** our technologies are not mandated and are subject to significant competition, **so** ~~the~~ **there is a** risk that a large **consumer electronic device** licensee may reduce or eliminate its use of our technologies ~~has increased~~ . ~~Reliance~~ **Our licensing business depends, in part,** on ~~Semiconductor~~ **semiconductor** ~~Manufacturers~~ **manufacturers** and **the** ~~Availability~~ **availability** of ~~Semiconductor~~ **semiconductor** ~~Components~~ **components** . Our licensing revenue from **OEM** 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, ~~current~~ demand levels ~~have~~ **may** ~~resulted~~ -- **result** in ~~ongoing~~ shortages of semiconductor components and other key materials that may adversely impact the ability of our implementation and system licensees and **other** customers to meet product demand in a timely fashion. Consumer ~~Spending~~ **spending** ~~Weakness~~ **weakness may impact our licensees and licensing revenues generally** . Weakness in general economic conditions due to inflation, ~~rising~~ **heightened** interest rates, lower consumer confidence, a potential recession, pandemic or other worsening economic conditions, may suppress consumer demand in our markets and consumers going to the movies. 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 **, which makes revenue generated by such technologies vulnerable to weakness in consumer spending** . Weakness in **consumer spending** ~~general economic conditions~~ may also lead to licensees and **other** customers becoming delinquent on their obligations to us or being unable to pay, resulting in a higher level of write- offs. **Weakness in consumer spending** ~~Economic conditions, including business slowdown caused by COVID-19,~~ may **also** increase underreporting and non- reporting of royalty- bearing revenue by our licensees as well as increase the unauthorized use of our technologies. **Our** ~~Reliance~~ **reliance** on ~~Distributors~~ **distributors may impact sales of certain products and present compliance risks** . We rely significantly on a global network of independent, regional distributors to market and distribute our cinema ~~,~~ **and** 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 **. Thus** , ~~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~~ **If we fail to promote and maintain the Dolby** ~~Brand~~ **brand** ~~Strength~~ **, our business will suffer** . 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 Cinema, Dolby Vision and other imaging offerings for the consumer market, Dolby. io, 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 electronics, 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. In addition, our practices and public disclosures related to environmental, social and governance (ESG) matters could impact our brand and reputation. If our ESG practices do not meet evolving investor or other stakeholder expectations and societal and regulatory standards, or if we are unable to make progress on or achieve our goals and objectives in this area, then our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively impacted, which could adversely affect our operating results. Industry Standards ~~The entertainment industry has historically~~ **Certain parts of our business are** ~~depended~~ **dependent** ~~upon~~ **on the inclusion of our technologies in** 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~~ - **the adoption and development of which** ~~either meet, or more importantly,~~ are **not fully within** ~~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 **control** ~~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 is altering the landscape for broadcast standards and impacting the importance of the inclusion of our technology in certain broadcast standards, 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 **products and solutions. The entertainment industry in particular has historically depended upon industry standards to ensure compatibility and interoperability across delivery platforms and a wide variety of** consumer **entertainment** products. ~~It~~ **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. We are also active in standards development where many contributing members work together to come up with next- generation technology standards in media, entertainment, and communications technologies. Nonetheless, it can be difficult ~~for companies~~ to have ~~their~~ **our** technologies **and products** adopted as ~~an~~ industry ~~standard~~ **standards . To do so, 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.** ~~multiple~~ **Multiple** companies, including ones that typically compete against one another, are involved in the development of new technology standards for use in consumer 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. **The market for broadcast technologies in particular has traditionally been heavily based on industry standards, in some cases 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 is altering the landscape for broadcast standards and impacting the importance of the inclusion of our technology in certain broadcast standards, and we cannot predict if and to what extent this may impact our revenue.** Participants ~~May~~ **may** ~~Choose~~ **choose** ~~Among Alternative~~ **alternative** ~~Technologies~~ **technologies** within ~~Standards~~ **standards** . Even when a standards- setting organization incorporates our technologies in an industry standard for a particular market or geographic region, our technologies may not be the sole technologies adopted for that market. Furthermore, different standards may be adopted **within a single market** ~~for -~~ **or region, and across** different markets and regions. 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~~ **part** of a ~~Standard~~ **standard** ~~May~~ **may** ~~Limit~~ **limit** ~~Our~~ **our** ~~Licensing~~ **licensing** ~~Practices~~ **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. **Additionally, where our technologies are incorporated into a standard, our licensing practices may become subject to additional regulatory requirements. For example, the European Union (EU) legislature is considering regulation that would impose a number of requirements on standard essential patent (SEP) licensing practices in the EU. Such regulation could, if it comes into effect, impose additional costs and disclosure requirements on our SEP licensing business and potentially reduce associated revenue.** Royalty Reporting **Reporting practices and uncertainty may result in fluctuations in our royalty revenue from period to period.** 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~~ **Our results of operations could be impacted to the extent that actual revenue differs 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.** Royalty ~~Reporting~~ **reporting by our licensees may be inaccurate or understated** . 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~~ **it is inherently** ~~difficulty -~~ **difficult to** independently ~~determining~~ **determine** 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~~ **typically by using an independent third party auditor. Such** 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. **Estimation of sales** ~~Ongoing global restrictions and economic impacts related to COVID - 19~~ **based royalties** may ~~also~~ **differ from actual results, which may** cause **volatility** ~~longer transaction cycles and delays~~ in royalty **revenue from period to period** ~~reporting, payment, or recoveries efforts. 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. **The amount of** ~~Royalties~~ **royalties** ~~We Owe~~ - **we owe** ~~Others~~ **others may be disputed** . 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 **to** 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~~ **Developing new and enhanced technologies is inherently difficult and our revenue growth may be impacted if we are unsuccessful in our efforts** . 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~~ **influenced** 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 **, including the development of technologies and products that incorporate rapidly developing machine learning and other artificial intelligence technologies (" AI / ML ")** . 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~~ **If we are unable to develop technologies and related intellectual property that are accepted into technology standards, or are unable to do so at the same rate as other technology developers, our royalty share** ~~with~~ **within** ~~New~~ **patent pools that we participate in may decline. Our efforts to expand into new** ~~Markets~~ **markets** ~~and Business Models~~ **may not be successful** . Our future growth will depend, in part, upon our continued expansion into areas beyond our audio licensing business. ~~For example, we recently introduced Dolby. io, our platform that allows developers to access our technologies through APIs.~~ As we enter into ~~this and other~~ new markets, we will 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 in ~~this or other~~ new markets could limit our ability to successfully execute on our growth strategy. ~~Incorporation~~ **The success of our existing products and newer initiatives is dependent on the use** of Dolby ~~Formats~~ **formats** ~~into New~~ **in, and commercial success of,** ~~Products~~ **products** and ~~Availability of Content~~ **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~~ **on** our ability to partner with movie theater exhibitors to launch new Dolby Cinema sites and **to** deploy new sites in accordance with plans, **and on** ~~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 on protecting our intellectual property rights.** 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. **Our revenue could decline if we are unable to maintain** ~~Patent~~ **patent** ~~Royalties and Expiration~~ **coverage for our technologies** . 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 there are no patents or, in some cases, no patent applications covering that technology in countries where applicable products are made and sold. As of September ~~30~~ **29** , ~~2022~~ **2023** , we had approximately ~~16~~ **19** , ~~900~~ **300** issued patents in addition to approximately ~~4~~ **1** , ~~100~~ **900** pending patent applications in more than 100 jurisdictions throughout the world. Our currently issued patents expire at various times through ~~December~~ **September** ~~2046~~ **2045** . If we are unable to ~~expand on our patent portfolio or~~ refresh our technology with new patented inventions **or expand our patent portfolio** , our revenue could decline **. In addition to patents covering technology we license directly, if patents we license through patent pool arrangements expire or are otherwise deemed not to be valuable by the licensees of such patent pools, they may not renew their licenses, which could impact our revenue** . 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~~ **intellectual property** in a manner designed to ~~reduce~~ **promote the continued use and licensing of our technology. The continued success of** ~~the~~ **these** ~~chance~~ **risk mitigation strategies is not guaranteed, including the risk** that **such technologies will not achieve widespread adoption or be licensed at** a ~~system licensee would develop competing~~ **rate sufficient to replace licensing revenue from** technologies **covered by expiring patents** ~~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 IP 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~~ **has** declined and ~~are~~ **is** 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~~ **use** of ~~Our~~ **our** ~~Intellectual~~ **intellectual** ~~Property~~ **property has occurred and will likely continue to occur** . 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. **Our business may be negatively impacted by** ~~Intellectual~~ **intellectual** ~~Property~~ **property** ~~Litigation~~ **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. **Our business may be negatively impacted by** ~~See Note 14" Commitments and Contingencies" to our consolidated financial statements for a discussion of the Intertrust matter. Licensee Disputes~~ **disputes involving the licensing of our IP** . At times, we are engaged in disputes regarding the licensing of our IP rights, including matters related to our royalty rates, whether products are royalty- bearing, 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. **Maintaining and enforcing our IP rights in the** U. S. and ~~Foreign Patent Rights~~ **abroad presents challenges to our business** . 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 **and intellectual property** laws and regulations in the U. S. and abroad **, including the regulation regarding SEP licensing in the EU referenced above,** 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 geographies 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~~ **key** ~~Suppliers~~ **suppliers presents certain risks to our business, many of which are beyond our control** . 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~~ **delays** caused by ~~COVID- 19, the~~ military ~~conflict~~ **conflicts , including those** between Russia and Ukraine **and between Israel and Hamas** , and other potential interruptions to the supply chain. Due to the relatively small volume of components we purchase for use in manufacturing, we purchase such components primarily through distributors. As such, we have relatively limited influence over the suppliers of such components to, for example, ensure continuity of supply. 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~~ **Ensuring the** ~~Quality~~ **quality of our products and the products in which our technology is incorporated is inherently difficult, and product quality failures can be costly** . Our products, and products that incorporate our technologies, are complex and sometimes contain software or hardware errors that are not detected during testing, 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~~ **processes for our products are subject to interruption, delay,** and ~~Production~~ **other risks** . 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. **We face threats to our** ~~Information~~ **information** ~~Security~~ **security systems, cyber attacks, and other cybersecurity risks, which could result in the misappropriation of sensitive information, disruption of our business, reputational damage, legal exposure, and financial losses** . 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 malicious actors including **, but not limited to,** nation- states and cyber criminals, malware, software bugs or other technical malfunctions, ransomware attacks, or other disruptions. ~~Our~~ **This** sensitive, confidential or proprietary information may be misappropriated by third- party service providers or others who may inappropriately access or exfiltrate that information from ~~the vendor'~~ **a third- party service provider'** s system. The number and sophistication of malicious **cyber** attacks and disruptions that companies have experienced has increased over the past few years, including computer viruses, malware, ransomware, cyber extortion, social engineering, denial of service, **supply chain attacks,** and other similar attacks and disruptions. These risks could be elevated in connection with ~~the~~ military ~~conflict~~ **conflicts around the world** ~~between Russia and Ukraine~~ . 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. **Since** ~~Moreover, system updates and security patches may suffer delayed implementation in endpoint devices during extended remote working circumstances. In addition, because~~ techniques used by malicious actors (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 **detection and** response **,** or **impede** 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~~ **have occurred in the past and may occur, and be** successful, ~~and,~~ in **the future** ~~some instances, we might be unaware of an incident or its nature, magnitude and effects~~ . Such risks are also faced by our ~~vendors and other~~ third ~~parties,~~ **- party service providers** and **others, which** ~~form~~ **forms** another vector for malicious attacks on our systems. 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, including 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, create system disruptions or slowdowns and exploit 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, as well as regulatory investigations, fines or penalties, and **such incidents and the public disclosure of such incidents may cause** brand and reputational damage. ~~Our~~ **We make** efforts 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. 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. **We must comply with a variety of data privacy regulations. Compliance with such regulations can be costly and failure to comply may affect our operations, financial performance, and business.** 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 **, including with respect to the development and use of AI / ML technologies,** and may result in ever- increasing **obligations and** regulatory and public scrutiny and escalating levels of enforcement and sanctions. For example, the California Privacy Rights Act (CPRA), which **took** ~~will take~~ effect on January 1, 2023 (with certain provisions **of the CPRA** having retroactive effect to January 1, 2022), as well as obligations from new privacy laws in **Virginia,** Colorado, Connecticut, Utah ~~and Virginia~~ , ~~which~~ **Iowa, Indiana, Texas, Montana, Oregon, Delaware, Florida, and Tennessee that have taken or** will ~~also~~ take effect ~~in~~ **between** 2023 **and 2026** , 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 CPRA and continuing developments in the European Union, U. K., and U. S. data privacy frameworks 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.** 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~~ **These competitors may also be able to develop and market new technologies that render our existing or future products less competitive. For example, disruptive technologies such as AI / ML may significantly alter the market for our products in unpredictable ways and reduce customer demand. Many of the markets for our products and for products in which our technologies are incorporated are price sensitive** . 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. Such pricing pressures may be exacerbated by ~~increased~~ **elevated** rates of inflation, which may cause device manufacturers to take additional steps to limit costs. Retail prices for consumer entertainment products that include our ~~sound~~ **audio** 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. Further, Dolby. io faces ~~significant~~ pricing pressure from other ~~developer~~ platforms offering **similar solutions** ~~media and communication APIs~~ that may be able to offer competing services at lower prices. ~~Customers as Competitors.~~ We face competitive risks in situations where our customers are also current or potential competitors. **We face competitive risks in situations where our customers are also current or potential competitors.** For example, Samsung ~~and Technicolor~~ **is a significant customer, but some of its technologies** are **competitive** ~~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. **We face** ~~Competition~~ **competition** from ~~Other~~ **other** ~~Audio~~ **audio** ~~Formats~~ **formats** , ~~Imaging~~ **imaging** ~~Solutions~~ **solutions** , and ~~Integrated~~ **integrated** ~~System~~ **system** ~~Offerings~~ **offerings** . We believe that the success we have had licensing our audio and imaging technologies is due, in part, to the high quality of the solutions that our technologies provide and to the strength of our brand. However, both free and proprietary sound and imaging technologies are becoming increasingly prevalent, and we expect competitors to continue to enter these fields 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 and video 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~~ **The success** of **our business depends on strong** ~~Industry~~ **industry** ~~Relationships~~ **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, **streaming providers,** and OTT video service providers and video game publishers; • ~~Leading companies~~ **Companies building real- time digital experiences that increase audience engagement** ~~in the audio and video conferencing markets; • Developers relying on media and communication APIs offered by Dolby. io~~ ; 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~~ **with companies building real- time digital experiences support** the ~~audio and video conferencing markets are important~~ **adoption of Dolby. io solutions. If we fail** to **maintain and strengthen our industry relationships, industry participants may be less likely to purchase and use our technologies, products, and services,** ~~our~~ - **or** ~~communications business~~ **create content incorporating our technologies** . **Our** ~~Consequences of~~ M & A ~~Activity~~ **activity is subject to certain risks, including risks associated with integrating acquired businesses** . 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~~ **audio** 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, particularly during times of market volatility, rising interest rates, and general economic instability. 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~~ **Conducting** ~~Business~~ **business internationally presents a number of risks to our business, including trade restrictions** and ~~Compliance~~ **changing, unpredictable, and / or inconsistent laws in the jurisdictions in which we operate** . We are dependent on international sales for a substantial amount of our total revenue. Approximately **64 %,** 63 % ~~, and~~ **and** 67 ~~% and 60~~ % of our revenue was derived outside of the U. S. in fiscal year **2023,** 2022, **and** 2021 ~~, and 2020~~ , 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 or exportation of products, equipment, materials, software, technologies, services, on technology transfers, or on the receipt or collection of payments and distribution of royalties, and any political or economic responses or counter- responses to such restrictions or sanctions, including any such restrictions, sanctions, responses, or counter- responses related to ~~the~~ **global** military ~~conflict~~ **conflicts** ~~between Russia and Ukraine~~ or changes in US export controls related to China and other countries; • Changes in trade relationships, including new tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers imposed by the U. S. or by other countries; • Compliance with applicable international laws and regulations, including antitrust and other competition laws **and laws and regulations that relate to environmental, social, and governance matters** , 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, social, and / or economic stability of or conflicts within the regions in which we operate (including Europe, Russia, Asia, the Middle East, North Africa, Latin America and other emerging markets) 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 **and enforcement** of IP rights; • Difficulties in enforcing contractual rights; • Multi- jurisdictional data protection and privacy laws, including **, for example,** the European Union' s General Data Protection Regulation and restrictions on transferring ~~personally~~ -- **personal data** ~~identifiable information~~ outside of a jurisdiction **and potential legislation such as the Artificial Intelligence Act under consideration in the EU potentially impacting our development of products incorporating AI / ML or the use of AI / ML tools in our business** ; **and** • 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 **our ability to operate in foreign countries and our ability to develop,** 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~~ **initially** made findings regarding the audit of a single customer. ~~We do not believe~~ **In July 2023, that determination was overturned by** the ~~outcome of~~ **Korean Civil court and** ~~this~~ **thus the** matter **was fully resolved in Dolby' s favor** ~~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~~ **laws** and ~~Regulation~~ **regulations may pose additional costs on and otherwise impact our products and operations** . Our **products and** operations ~~use substances~~ **may be** 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 **, the achievement of certain energy performance criteria** , 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~~ **In** some products, ~~substituting~~ **the use or avoidance of** particular components **that** ~~containing~~ --- **contain** regulated hazardous substances ~~is~~ **may be** 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. **We are subject to regulations relating to "** ~~Conflict~~ **conflict** ~~Minerals~~ **minerals " and compliance with, or failure to comply with, such regulations may be costly** . 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. Certain of those minerals are used in the manufacturing process of electrical components that our products utilize. The potential inclusion of conflict minerals in the materials used in our products could affect the sourcing, availability and pricing of such materials 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. As there may be only a limited number of suppliers that can certify that they are offering " conflict free " conflict minerals, we cannot be sure that our component suppliers 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. If conflict minerals **used in our products** are ~~used in our products~~ **determined to finance armed conflict** , even if ~~inadvertently~~ **we are not aware of such status** , disclosure of such ~~use~~ **status** could affect public and investor perception of **Dolby** ~~the Company~~ and our products. We may not be able to sufficiently verify the origins for the minerals used in our components. Our reputation may suffer if we determine that our components 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 components. 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~~ **We are subject to complex** and ~~Liabilities~~ **changing tax laws which may impact our financial results** . 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 earn a significant amount of our income outside the U. S. and receive tax benefits from a portion of these foreign sales. 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; • 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; or • Our ability to effectively implement changes to our corporate structure in response to changes in applicable tax laws and regulations in the countries in which we operate. ~~The~~ **Changes in** U. S. tax law **, including** ~~changes enacted through~~ the Tax Cuts and Jobs Act (" Tax Act") ~~include provisions that~~ **and the Inflation Reduction Act, may** affect our business. These provisions, their interpretations, and proposed changes to ~~this~~ law introduced by the ~~Biden~~ **current** administration 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 that affect our operations **. The OECD has introduced a framework to implement a 15 % global minimum corporate tax, referred to as Pillar 2 or the minimum tax directive. The minimum tax directive has been adopted by the EU for implementation by its Member States into national legislation by the end of 2023 and may be adopted by other jurisdictions, including the U. S** . 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, it is possible that these law changes and 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 and to consider potential responsive actions, but an adverse decision by tax authorities exceeding our reserves could significantly impact our financial results. STOCK- RELATED ISSUES ~~Controlling~~ **The Dolby family has control over** ~~Stockholder~~ **stockholder decisions as a result of the control of a majority of the voting power of our outstanding common stock by them and their affiliates** . At September ~~30~~ **29** , ~~2022~~ **2023** , the Dolby family and their affiliates owned ~~385~~ **388** , ~~589~~ **372** shares of our Class A common stock and 36, 012, 733 shares of our Class B common stock. As of September ~~30~~ **29** , ~~2022~~ **2023** , 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 85. 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 **substantial amounts of our Class A** ~~Common~~ **common** ~~Stock~~ **stock in the public markets could reduce the price of our Class A 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. **There are risks associated with our** ~~Stock~~ **stock** ~~Repurchase~~ **repurchase** ~~Program~~ **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, the tax consequences of any repurchases **(including the potential impact of the 1 % excise tax on certain stock repurchases)** , and the availability of funds necessary to continue purchasing stock. If we curtail our repurchase program, our stock price may be negatively affected. **There are risks associated with our** ~~Dividend~~ **dividend** ~~Program~~ **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. 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 **Macroeconomic conditions, including elevated inflation, rising interest rates, supply chain constraints, and the lasting effects of COVID- 19 have impacted and may continue to impact the markets we serve and our business and results of operations. Our revenue and operations and the markets we serve have been, and may continue to be, impacted by macroeconomic conditions, including but not limited to, elevated inflation, rising interest rates, COVID- 19-related economic impacts, supply chain constraints, increased shipping costs, international conflicts, reduced discretionary consumer spending, and reduced new product investment by our customers caused by higher interest rates and lower demand. The current macroeconomic environment has negatively impacted, and may continue to negatively impact, many of our licensees and that directly impacts, and may continue to impact, our financial results. The impacts of the current macroeconomic environment on our partners have resulted in, and may continue to cause, the disruption of consumer products' supply chains, shortages of certain semiconductor components, and delays in shipments, product development, and product launches. The macroeconomic conditions also impart substantial uncertainty into our operating environment, which presents additional challenges for our business. These factors and the related uncertainty may cause delays or a decrease in the adoption or implementation of our technologies into new products by partners and licensees. These conditions may impact consumer demand for devices and services and our partners' ability to manufacture devices. Further, we may be negatively impacted by delays in transaction cycles and our recoveries efforts due to the noted macroeconomic conditions and related uncertainty. The future implications of these macroeconomic conditions on our business, the markets we serve, results of operations and overall financial position remain uncertain. COVID- 19, including the spread of variants of SARS- CoV- 2, continues to impact several of our partners and it is unclear how demand for consumer products that include our technologies may change in response to, and following, the pandemic. The degree to which COVID- 19 impacts our results will depend on future developments, which cannot be predicted with any certainty, including, but not limited to, the duration and extent of the pandemic, additional actions taken by governments, businesses and consumers in response to the pandemic, additional subsequent outbreaks and variant strains, and to what extent economic and operating conditions can return to pre- pandemic conditions. Even after COVID- 19 has subsided, if ever, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any persistent economic impacts and any recession that may occur. Our results may be impacted by** ~~Fluctuations~~ **fluctuations** in ~~Foreign~~ **foreign** ~~Currency~~ **currency** ~~Exchange~~ **exchange** ~~Rates~~ **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~~ **interruptions** by ~~Natural~~ **natural** ~~Disasters~~ **disasters** and ~~Other~~ **other** ~~Events~~ **events** ~~Beyond~~ **beyond** ~~Our~~ **our** ~~Control~~ **control could adversely impact our business** . 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 geopolitical 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. War, including the military ~~conflict~~ **conflicts** between Russia and Ukraine and **between Israel and Hamas, as well as** any related political or economic responses and counter- responses or otherwise by various global actors or the general effect on the global economy and supply chain, could also affect our business. For example, we have R & D facilities and a large number of employees in Eastern Europe, and any business interruptions or other spillover effects from ~~such~~ **the Russia- Ukraine** conflict could adversely impact our business. 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. **We face intense** ~~Competition~~ **competition** for ~~Employees~~ **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~~ **packages** , including cash and equity compensation. Our equity awards include stock options **, RSUs** and **performance- based** 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. ~~26~~ **27**