

Dolby Laboratories, Inc.
Form 10-Q
February 03, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**
SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended December 30, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**
SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ To _____

Commission File Number: 001-32431

DOLBY LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

90-0199783
(I.R.S. Employer Identification No.)

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100 Potrero Avenue

San Francisco, CA

(Address of principal executive offices)

94103-4813

(Zip Code)

(415) 558-0200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

On January 19, 2012 the registrant had 51,375,078 shares of Class A common stock, par value \$0.001 per share, and 57,298,654 shares of Class B common stock, par value \$0.001 per share, outstanding.

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DOLBY LABORATORIES, INC.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****DOLBY LABORATORIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS***(in thousands)*

	September 30, 2011	December 30, 2011
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 551,512	\$ 654,414
Short-term investments	391,281	367,412
Accounts receivable, net of allowance of \$2,466 at September 30, 2011 and \$2,197 at December 30, 2011	61,815	54,211
Inventories	26,244	33,515
Deferred taxes	90,869	92,582
Prepaid expenses and other current assets	36,877	26,916
Total current assets	1,158,598	1,229,050
Long-term investments	272,797	247,273
Property, plant and equipment, net	117,107	123,536
Intangible assets, net	51,573	47,922
Goodwill	263,260	263,780
Deferred taxes	14,779	20,390
Other non-current assets	6,273	7,169
Total assets	\$ 1,884,387	\$ 1,939,120
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 10,887	\$ 9,773
Accrued liabilities	117,035	96,785
Income taxes payable	4,762	18,662
Deferred revenue	26,701	24,412
Total current liabilities	159,385	149,632
Long-term deferred revenue	15,526	17,124
Deferred taxes	671	639
Other non-current liabilities	23,455	27,637
Total liabilities	199,037	195,032
Stockholders' equity:		
Class A common stock, \$0.001 par value, one vote per share, 500,000,000 shares authorized: 51,860,546 shares issued and outstanding at September 30, 2011 and 51,405,065 at December 30, 2011	52	52
Class B common stock, \$0.001 par value, ten votes per share, 500,000,000 shares authorized: 57,559,554 shares issued and outstanding at September 30, 2011 and 57,297,154 at December 30, 2011	58	57
Additional paid-in capital	210,681	196,545
Retained earnings	1,445,189	1,518,348
Accumulated other comprehensive income	7,533	7,108
Total stockholders' equity - Dolby Laboratories, Inc.	1,663,513	1,722,110
Controlling interest	21,837	21,978

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Total stockholders' equity	1,685,350	1,744,088
Total liabilities and stockholders' equity	\$ 1,884,387	\$ 1,939,120

See accompanying notes to unaudited condensed consolidated financial statements

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	Fiscal Quarter Ended	
	December 31, 2010	December 30, 2011
	(unaudited)	
Revenue:		
Licensing	\$ 188,176	\$ 199,624
Products	46,027	26,400
Services	8,509	7,354
Total revenue	242,712	233,378
Cost of revenue:		
Cost of licensing	3,961	3,328
Cost of products	22,198	13,888
Cost of services	2,980	3,194
Total cost of revenue	29,139	20,410
Gross margin	213,573	212,968
Operating expenses:		
Research and development	28,327	32,826
Sales and marketing	38,217	43,016
General and administrative	37,042	35,465
Restructuring charges, net	785	368
Total operating expenses	104,371	111,675
Operating income	109,202	101,293
Interest income	1,614	1,737
Interest expense	(283)	(26)
Other income, net	533	200
Income before provision for income taxes	111,066	103,204
Provision for income taxes	(24,301)	(29,838)
Net income including controlling interest	86,765	73,366
Less: net income attributable to controlling interest	(378)	(207)
Net income attributable to Dolby Laboratories, Inc.	\$ 86,387	\$ 73,159
Earnings per share attributable to Dolby Laboratories, Inc.:		
Basic	\$ 0.77	\$ 0.67
Diluted	\$ 0.76	\$ 0.67
Weighted-average shares outstanding:		
Basic	112,035	108,884
Diluted	113,713	109,443
Related party rent expense included in general and administrative expenses	\$ 343	\$ 343

See accompanying notes to unaudited condensed consolidated financial statements

Table of Contents**DOLBY LABORATORIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(in thousands)*

	Fiscal Quarter Ended	
	December 31, 2010	December 30, 2011
	(unaudited)	
Operating activities:		
Net income including controlling interest	\$ 86,765	\$ 73,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,539	9,929
Stock-based compensation	11,260	11,439
Amortization of premium on investments	3,235	4,920
Excess tax benefit from exercise of stock options	(9,386)	(57)
Provision for doubtful accounts	333	(52)
Deferred income taxes	(6,640)	(7,643)
Other non-cash items affecting net income	(476)	1,227
Changes in operating assets and liabilities:		
Accounts receivable	(14,789)	7,531
Inventories	536	(7,271)
Prepaid expenses and other assets	(1,450)	1,101
Accounts payable and accrued liabilities	(27,815)	(22,860)
Income taxes, net	20,510	24,431
Deferred revenue	(843)	(661)
Other non-current liabilities	(127)	392
Net cash provided by operating activities	70,652	95,792
Investing activities:		
Purchases of available-for-sale securities	(309,660)	(54,726)
Proceeds from sales and maturities of available-for-sale securities	159,825	99,133
Purchases of property, plant and equipment	(9,646)	(12,566)
Acquisitions, net of cash acquired	(3,350)	(575)
Proceeds from sales of property, plant and equipment and assets held for sale	621	335
Net cash provided by/(used in) investing activities	(162,210)	31,601
Financing activities:		
Proceeds from issuance of common stock, net of shares withheld for taxes	15,749	1,783
Repurchase of common stock	(45,966)	(26,068)
Excess tax benefit from exercise of stock options	9,386	57
Net cash used in financing activities	(20,831)	(24,228)
Effect of foreign exchange rate changes on cash and cash equivalents	166	(263)
Net increase/(decrease) in cash and cash equivalents	(112,223)	102,902
Cash and cash equivalents at beginning		