Dolby Labs Legacy of Success

Presentation Prepared for the Staff of Dolby Labs Compliance Group

Presented By: Nick Nickols, Compliance Engineer/CTO

Dolby Lab Beginnings

Ray Dolby (Edison of his time)

Early work at Ampex

Ph.D. in physics at Cambridge University in 1961.

Later he recorded native Indian music for UNESCO. (United Nations Educational, Scientific, and Cultural Organization)

Technical Problem:

The tapes overlaid the delicate sounds of sitars and tablas with a hiss. (Acoustic Audio) (Meditation)

Technical Solution:

As he saw it. hiss is a problem only in soft passages. If he boosted the softer sounds while he recorded them, he'd swamp out the hiss. Then he could cut the sound back to normal when he played it. The hiss would scale down to almost nothing.

Business Problem:

The business problem was that the invention could be stolen. But Dolby saw what others forget. When companies are too careful to extract maximum profit from an invention, greed kills them.

Business Solution: (Potential Competitors become Customers)

"My technology would probably have been pirated [if I'd] tried too hard to control it," says Dolby. Instead, he cut royalties to the bone. He made Dolby so cheap it wasn't worth the trouble of dodging the royalty. Companies often try to protect themselves by keeping technology static. They try to keep new ideas from displacing their success.

<u>Constant Innovation: (Hire good employees.)</u>

A good way to keep an edge is to lead in the very changes that will displace you sooner or later.

Dolby Labs has gone from analog, to the leading edge of digital, systems. Dolby has moved into video. Dolby Labs kept changing and evolving.

What do the Stock Analysts have to say about Dolby Labs?

What Hoovers has to say about Dolby Labs.

Talk about having a sound business model: Dolby Laboratories is the market leader in developing sound processing and noise reduction systems for use in professional and consumer audio and video equipment. Though it does make some of its own products, Dolby mostly licenses its technology to other manufacturers.

<u>Licensing accounts for more than 75% of Dolby revenues.</u>. That indicates the Compliance Group is a key element essential to the Dolby Labs business strategy.

The firm has about 1,900 patents and more than 990 trademarks worldwide. In film, the Dolby Digital format has become the de facto audio standard; its systems equip movie screens around the globe.

The company has expanded into digital audio compression.

Dolby Labs went public in 2005.

Source : http://www.hoovers.com/company/Dolby_Laboratories_Inc/ckcshi-1-1njdap.html

Key Dolby Labs Financials

Company Type Public -(NYSE: DLB)

Headquarters

Fiscal Year-End September

2010 Sales (mil.) \$922.7

2010 Employees 1,244

	Sep 10	Sep 09	Sep 08
Revenue	922.7	719.5	640.2
Gross Profit	790.9	654.7	572.5
Gross Profit Margin	85.7%	91%	89.4%

Source: http://www.hoovers.com/company/Dolby_Laboratories_Inc/ckcshi-1-1njdap.html

Nick Nickol's Background.

- Experience: Over 20 years of customer support, electronic engineering, systems design, design analysis, design verification experience, and product certification. Have recent experience with medical device development and involvement with design control/regulatory compliance (class II and III devices). Used to repair high end audio video equipment
- Industries: Consumer, Scientific, Semiconductor, and Medical.
- Interests: Projects requiring a multidisciplinary approach to solve a customer's problem.
- Approach: Team player. Quality oriented. Process oriented. Customer oriented.
- Why I am here: Dolby develops innovative products.
- What I Bring to table: Aside from technical skill and experience, "hindsight", a can-do attitude, flexible, strong adaptation skills, open minded, here to make you money.