Dolby Laboratories, Inc. (DLB)

Updated August 1st, 2026, by Ian Bezek

Key Metrics

Current Price:	$59	**5 Year Annual Expected Total Return:**	14.9%	**Market Cap:**	$5.5 B
Fair Value Price:	$86	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	08/11/26
% Fair Value:	69%	**5 Year Valuation Multiple Estimate:**	7.8%	**Dividend Payment Date:**	08/19/26
Dividend Yield:	2.4%	**5 Year Price Target**	$110	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Sector:**	Information Technology	**Rating:**	Hold

Overview & Current Events

Dolby Laboratories is an electronics company focused on sound system and equipment related technologies and services. These audio systems are used in cars, theaters, home electronics systems, and other such venues. Dolby's technologies and patents are also used for creating consumer electronics in settings such as personal computers, headphones and noise-cancelling systems, smartphones, and audio encoding and compression. Dolby primarily earns profits from licensing out its technologies to other electronics firms rather than manufacturing its own equipment.

Dolby was founded in 1965 in London, England by Ray Dolby, though its headquarters have since moved to San Francisco. The company remains under the Dolby family's control today. Ray's wife, Dagmar Dolby, now owns roughly 36% of the company including 85% of the company's voting rights via ownership of Dolby's Class B shares.

Dolby enjoyed a considerable upturn in its fortunes since 2020 thanks to stronger demand for consumer electronics, though growth has slipped in recent years. On July 30th, 2026 Dolby reported its fiscal Q3 results. In Q3, Dolby's revenues slipped 3% year-over-year to $305 million. On the bottom line, the company earned $0.69 of non-GAAP EPS which slipped from the $0.78 earned in the same period of 2025. Despite the drop, this result exceeded expectations. For the past couple of years, Dolby has been able to grow thanks in part due to new partnerships, such as Dolby Atmos for the MetaQuest headset, Dolby Atmos and Dolby Vision for the iPhone 17, and Xiaomi's Dolby Vision-enabled 4k QLED TVs but this growth has slowed amid a more restrained consumer spending environment.

Dolby delivered record results in fiscal year 2025 despite mixed demand in its end markets. Dolby is benefiting from its recent $429 million GE Licensing acquisition. We are forecasting less than 2% EPS growth for 2026 given the current economic headwinds for the consumer electronics sector.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.81	$1.95	$2.59	$2.44	$2.25	$2.97	$3.14	$3.56	$3.79	$4.24	***$4.30***	***$5.49***
DPS	$0.48	$0.56	$0.64	$0.76	$0.88	$0.91	$1.00	$1.11	$1.23	$1.35	***$1.44***	***$1.93***
Shares[1]	101	102	103	100	100	101	100	98	96	96	***95***	***93***

Dolby has had an uneven earnings profile. The company saw earnings decline between 2012 and 2017 before starting to advance again in 2018. Dolby's operating performance has improved markedly since 2021 as pandemic-driven buying of electronics contributed to the company's bottom line. Though the pandemic-era electronics boom has ended, we believe Dolby can grow earnings-per-share at 5% annually going forward, especially if it finds more favorable M&A deals.

Historically, Dolby was not known as a dividend-paying security. However, the company began to pay a dividend in 2015 and has offered regular dividend increases since that point. Until recently, the company has typically offered a roughly 1.0% dividend yield, however the yield has been moving higher since 2022. The latest dividend increase came in November 2025, with the quarterly payment jumping 9% to $0.36 per share.

[1] In million

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	23.0	25.7	24.6	26.4	28.8	31.6	25.4	23.6	25.8	17.2	***13.7***	***20.0***
Avg. Yld.	1.2%	1.1%	1.0%	1.2%	1.4%	0.9%	1.2%	1.3%	1.6%	1.8%	***2.4%***	***1.8%***

In the early 2010s, Dolby traded at a relatively low P/E ratio, including as low as 14.6 in 2012. However, this valuation rose steadily, topping 25 in 2017 and reaching 31.6 times earnings in 2021. Shares have cooled off in recent years, though, and are now trading at a sharp discount to our fair value estimate. Over the long term, we expect shares to settle at a 20 P/E ratio. The current dividend yield of 2.4% is the highest that it's been over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	27%	29%	25%	31%	39%	30%	32%	31%	32%	32%	***33%***	***35%***

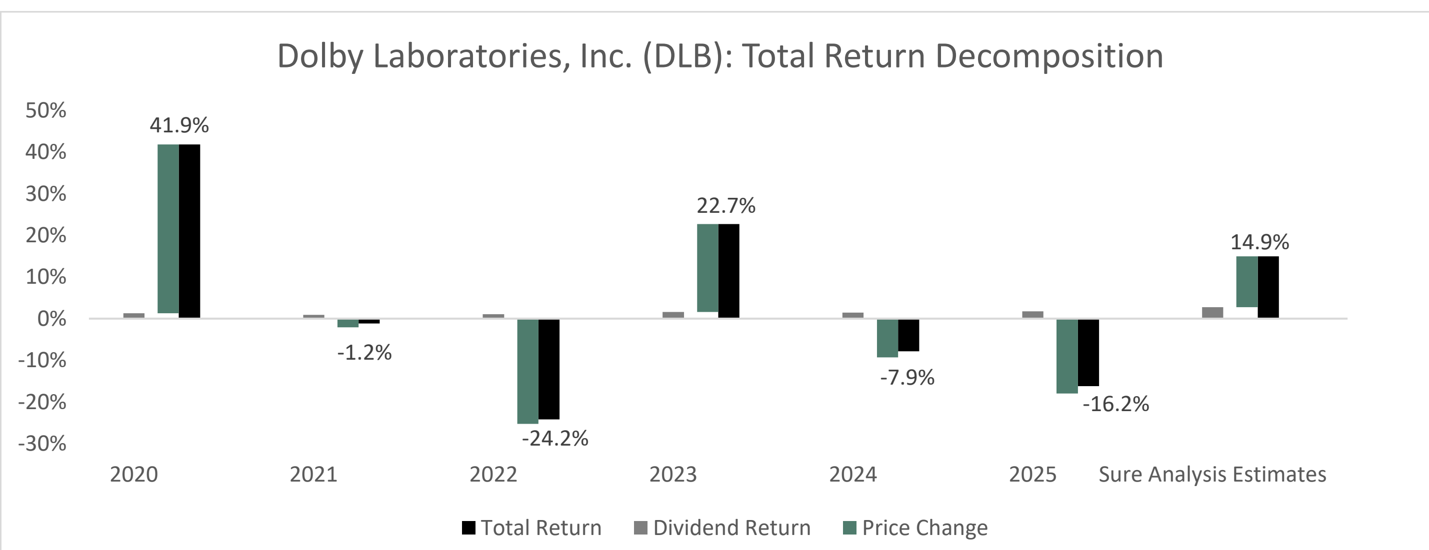
Dolby Laboratories has a fantastic balance sheet. The company had $670 million of cash and short-term investments on hand as of June 2026, and no long-term debt, and that is even after paying for its sizable GE Licensing acquisition. Dolby's licensing model, where it obtains recurring revenue from dozens of partners, is a diversified approach which insulates it from downturns with any one product or consumer trend.

The company's dividend is well-secured. Dolby's payout ratio generally stays at or below 35% of earnings. With the company's stable earnings and considerable cash reserves, it could easily support a larger dividend or buyback program.

Final Thoughts & Recommendation

Dolby Laboratories has had a generally uneven performance over the past decade, with earnings not rising much between 2013 and 2020. That has changed substantially more recently, as consumers stocked up on audio equipment and electronics over the past few years. We believe near-term growth may be limited as inventory levels normalize and the tariff situation impacts demand in various end markets. Regardless, Dolby is performing well, delivering respectable operating results despite industry headwinds. We forecast 14.9% annualized total returns from here. Dolby shares earn a hold rating today due to its middle-of-the-road dividend risk score.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1,026	1,080	1,055	1,242	1,162	1,281	1,254	1,300	1,274	1,349
Gross Profit	917	962	927	1,081	1,015	1,151	1,112	1,147	1,133	1,189
Gross Margin	89.4%	89.0%	87.9%	87.0%	87.4%	89.9%	88.7%	88.2%	88.9%	88.1%
SG&A Exp.	464	468	507	549	556	557	634	613	605	647
D&A Exp.	85	84	81	85	112	113	104	96	87	99
Operating Profit	233	260	183	294	221	341	217	263	265	280
Op. Margin	22.7%	24.1%	17.4%	23.6%	19.0%	26.6%	17.3%	20.2%	20.8%	20.8%
Net Profit	186	206	42	255	231	310	184	201	262	256
Net Margin	18.1%	19.1%	4.0%	20.5%	19.9%	24.2%	14.7%	15.5%	20.6%	19.0%
Free Cash Flow	138	273	267	214	275	393	259	337	297	430
Income Tax	50	48	154	27	8	37	31	48	48	47

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,310	2,534	2,865	2,822	2,917	3,106	2,690	2,980	3,110	3,239
Cash & Equivalents	516	627	918	797	1,072	1,225	620	745	482	794
Acc. Receivable	76	74	166	189	180	233	244	262	315	512
Inventories	16	25	26	32	26	11	24	36	34	30
Goodwill & Int.	525	501	512	516	489	464	477	576	968	927
Total Liabilities	331	390	495	509	479	501	439	608	623	607
Accounts Payable	18	14	22	15	13	18	14	21	17	18
Long-Term Debt	---	---	---	---	---	---	---	---	---	28
Total Equity	1,970	2,137	2,364	2,307	2,433	2,598	2,246	2,355	2,477	2,623
LTD/E Ratio	---	---	---	---	---	---	---	---	---	0.1

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	8.4%	8.5%	1.5%	9.0%	8.1%	10.3%	6.4%	7.1%	8.6%	8.1%
Return on Equity	9.8%	10.1%	1.9%	10.9%	9.8%	12.3%	7.6%	8.7%	10.8%	10.0%
ROIC	9.8%	10.0%	1.8%	10.9%	9.7%	12.3%	7.6%	8.7%	10.8%	9.9%
Shares Out.	101	102	103	100	100	101	100	98	97	97
Revenue/Share	10.01	10.46	9.86	11.87	11.29	12.25	12.29	13.30	13.09	13.84
FCF/Share	1.35	2.64	2.49	2.05	2.67	3.76	2.54	3.45	3.05	4.14

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.