

BEST BUY CO., INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(\$ in millions, except per share amounts)
(Unaudited and subject to reclassification)

The following information provides reconciliations of the most comparable financial measures presented in accordance with accounting principles generally accepted in the U.S. (GAAP financial measures) to presented non-GAAP financial measures. The company believes that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide more information to assist investors in evaluating current period performance and in assessing future performance. For these reasons, internal management reporting also includes non-GAAP measures. Generally, presented non-GAAP measures include adjustments for items such as restructuring charges, goodwill impairments, gains and losses on investments, intangible asset amortization, certain acquisition-related costs and the tax effect of all such items. In addition, certain other items may be excluded from non-GAAP financial measures when the company believes this provides greater clarity to management and investors. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, the GAAP financial measures presented in this earnings release and the company's financial statements and other publicly filed reports. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

	Three Months Ended			Three Months Ended		
	August 3, 2019			August 4, 2018		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 1,756	\$ 166	\$ 1,922	\$ 1,712	\$ 165	\$ 1,877
% of revenue	19.9 %	23.2 %	20.2 %	19.8 %	22.3 %	20.0 %
Intangible asset amortization ¹	(18)	-	(18)	-	-	-
Acquisition-related transaction costs ¹	(3)	-	(3)	-	-	-
Non-GAAP SG&A	\$ 1,735	\$ 166	\$ 1,901	\$ 1,712	\$ 165	\$ 1,877
% of revenue	19.7 %	23.2 %	19.9 %	19.8 %	22.3 %	20.0 %
Operating income	\$ 309	\$ 4	\$ 313	\$ 329	\$ 6	\$ 335
% of revenue	3.5 %	0.6 %	3.3 %	3.8 %	0.8 %	3.6 %
Restructuring charges ²	48	-	48	17	-	17
Intangible asset amortization ¹	18	-	18	-	-	-
Acquisition-related transaction costs ¹	3	-	3	-	-	-
Non-GAAP operating income	\$ 378	\$ 4	\$ 382	\$ 346	\$ 6	\$ 352
% of revenue	4.3 %	0.6 %	4.0 %	4.0 %	0.8 %	3.8 %
Effective tax rate			22.3 %			25.7 %
Restructuring charges ²			0.4 %			(0.3)%
Intangible asset amortization ¹			0.1 %			-%
Non-GAAP effective tax rate			22.8 %			25.4 %

	Three Months Ended			Three Months Ended		
	August 3, 2019			August 4, 2018		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
GAAP diluted EPS			\$ 0.89			\$ 0.86
Restructuring charges ²	\$ 48	\$ 37	0.13	\$ 17	\$ 13	0.05
Intangible asset amortization ¹	18	13	0.05	-	-	-
Acquisition-related transaction costs ¹	3	2	0.01	-	-	-
Non-GAAP diluted EPS			\$ 1.08			\$ 0.91

	Six Months Ended			Six Months Ended		
	August 3, 2019			August 4, 2018		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 3,433	\$ 324	\$ 3,757	\$ 3,377	\$ 330	\$ 3,707
% of revenue	19.8 %	23.5 %	20.1 %	19.8 %	23.0 %	20.1 %
Intangible asset amortization ¹	(35)	-	(35)	-	-	-
Acquisition-related transaction costs ¹	(3)	-	(3)	-	-	-
Tax reform-related item - employee bonus ³	-	-	-	(6)	(1)	(7)
Non-GAAP SG&A	\$ 3,395	\$ 324	\$ 3,719	\$ 3,371	\$ 329	\$ 3,700
% of revenue	19.6 %	23.5 %	19.9 %	19.8 %	22.9 %	20.0 %
Operating income	\$ 641	\$ 6	\$ 647	\$ 596	\$ 4	\$ 600
% of revenue	3.7 %	0.4 %	3.5 %	3.5 %	0.3 %	3.2 %
Restructuring charges ²	48	-	48	47	-	47
Intangible asset amortization ¹	35	-	35	-	-	-
Acquisition-related transaction costs ¹	3	-	3	-	-	-
Tax reform-related item - employee bonus ³	-	-	-	6	1	7
Non-GAAP operating income	\$ 727	\$ 6	\$ 733	\$ 649	\$ 5	\$ 654
% of revenue	4.2 %	0.4 %	3.9 %	3.8 %	0.3 %	3.5 %
Effective tax rate			21.0 %			22.8 %
Restructuring charges ²			0.3 %			0.1 %
Intangible asset amortization ¹			0.2 %			-%
Non-GAAP effective tax rate			21.5 %			22.9 %

	Six Months Ended			Six Months Ended		
	August 3, 2019			August 4, 2018		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
GAAP diluted EPS			\$ 1.86			\$ 1.58
Restructuring charges ²	\$ 48	\$ 37	0.13	\$ 47	\$ 36	0.12
Intangible asset amortization ¹	35	26	0.10	-	-	-
Acquisition-related transaction costs ¹	3	2	0.01	-	-	-
Tax reform-related item - employee bonus ³	-	-	-	7	5	0.02
Non-GAAP diluted EPS			\$ 2.10			\$ 1.72

- Represents charges associated with the acquisitions of GreatCall, Inc. and Critical Signal Technologies, Inc. including 1) the non-cash amortization of definite-lived intangible assets, including customer relationships, tradenames and technology, and 2) acquisition-related transaction costs primarily comprised of professional fees.
- Represents charges associated with U.S. retail operating model changes for the periods ended August 3, 2019, and the closure of Best Buy Mobile stand-alone stores in the U.S. for the periods ended August 4, 2018.
- Represents final adjustments for amounts paid and associated taxes related to a one-time bonus for certain employees announced in response to future tax savings created by the Tax Cuts and Jobs Act enacted into law in Q4 FY18.
- The non-GAAP adjustments relate primarily to adjustments in the U.S. As such, the income tax charge is calculated using the statutory tax rate for the U.S. (24.5% for the periods ended August 3, 2019, and August 4, 2018).

Return on Assets and Non-GAAP Return on Invested Capital

The following table includes a reconciliation to the calculation of return on assets ("ROA") (GAAP financial measure), along with the calculation of non-GAAP return on invested capital ("ROIC") for total operations, which includes both continuing and discontinued operations (non-GAAP financial measure) for the periods presented.

The company defines non-GAAP ROIC as non-GAAP net operating profit after tax divided by average invested capital using the trailing four-quarter average. The company believes non-GAAP ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of the use of capital and believes non-GAAP ROIC is an important component of shareholders' return over the long term. Effective at the beginning of Q1 FY20, the company adopted new lease accounting guidance that resulted in the recognition of operating lease assets and operating lease liabilities on the balance sheet. Certain changes have been made as described within the footnotes to the calculation as a result of this adoption. This method of determining non-GAAP ROIC may differ from other companies' methods and therefore may not be comparable to those used by other companies.

Calculation of Return on Assets ("ROA")	August 3, 2019¹	August 4, 2018¹
Net earnings	\$ 1,515	\$ 1,055
Total assets	14,357	12,977
ROA	10.6 %	8.1 %

Calculation of Non-GAAP Return on Invested Capital ("ROIC")	August 3, 2019¹	August 4, 2018¹
<u>Net Operating Profit After Taxes (NOPAT)</u>		
Operating income - continuing operations	\$ 1,947	\$ 1,822
Operating income - discontinued operations	-	1
Total operating income	1,947	1,823
Add: Operating lease interest ²	113	117
Add: Non-GAAP operating income adjustments ³	120	163
Add: Investment income	49	56
Less: Income taxes ⁴	(550)	(700)
Non-GAAP NOPAT	\$ 1,679	\$ 1,459

<u>Average Invested Capital</u>		
Total assets	\$ 14,357	\$ 12,977
Less: Excess cash ⁵	(1,183)	(2,427)
Add: Capitalized operating lease obligations ⁶	1,504	3,126
Total liabilities	(11,118)	(9,385)
Exclude: Debt ⁷	2,716	1,219
Average invested capital	\$ 6,276	\$ 5,510

Non-GAAP ROIC	26.8 %	26.5 %
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- (1) Income statement accounts represent the activity for the trailing 12 months ended as of each of the balance sheet dates. Balance sheet accounts represent the average account balances for the four quarters ended as of each of the balance sheet dates.
- (2) Operating lease interest represents the add-back to operating income to approximate the total interest expense that the company would incur if its operating leases were owned and financed by debt. Historically, the company used an add-back multiple of 30% of annual rent expense; however, as a result of the adoption of new lease accounting guidance, the multiple was recalculated and prior periods have been updated to reflect this change. For periods prior to FY20, the add-back is approximated by multiplying the trailing 12-month total rent expense by 15%. For periods beginning on or after FY20, the add-back is now approximated by multiplying average operating lease assets by 4%, which approximates the interest rate on the company's operating lease liabilities.
- (3) Includes adjustments for tax reform-related items, restructuring charges and acquisition-related costs. Additional details regarding these adjustments are included in the Reconciliation of Non-GAAP Financial Measures schedule within the company's quarterly earnings releases.
- (4) Income taxes are calculated using a blended statutory rate at the Enterprise level based on statutory rates from the countries in which the company does business, which primarily consists of the U.S. (with a statutory rate ranging from 24.5% to 38.0% for the periods presented) and Canada (with a statutory rate ranging from 26.6% to 26.9% for the periods presented).
- (5) Cash and cash equivalents and short-term investments are capped at the greater of 1% of revenue or actual amounts on hand. The cash and cash equivalents and short-term investments in excess of the cap are subtracted from the company's calculation of average invested capital to show their exclusion from total assets.
- (6) Capitalized operating lease assets represent the estimated net assets that the company would record if the company's operating leases were owned. Historically, the company used a multiple of five times annual rent expense; however, as a result of the adoption of new lease accounting guidance, the multiple was recalculated and prior periods have been updated to reflect this change. For periods prior to FY20, the asset is approximated by multiplying the trailing 12-month total rent expense by the multiple of four. For periods beginning on or after FY20, capitalized operating lease assets are now included within total assets on the balance sheet.
- (7) Debt includes short-term debt, current portion of operating lease liabilities, current portion of long-term debt, long-term operating lease liabilities and long-term debt and is added back to the company's calculation of average invested capital to show its exclusion from total liabilities.