

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 financial measures. Generally, presented non-GAAP financial measures include adjustments for items such as restructuring charges, goodwill and intangible asset impairments, price-fixing settlements, gains and losses on subsidiaries and certain 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 financial measures as presented herein may not be comparable to similarly titled measures used by other companies.

	Three Months Ended			Three Months Ended		
	July 29, 2023			July 30, 2022		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 1,730	\$ 149	\$ 1,879	\$ 1,732	\$ 150	\$ 1,882
<i>% of revenue</i>	19.5 %	21.5 %	19.6 %	18.1 %	19.7 %	18.2 %
Intangible asset amortization ¹	(21)	-	(21)	(22)	-	(22)
Non-GAAP SG&A	\$ 1,709	\$ 149	\$ 1,858	\$ 1,710	\$ 150	\$ 1,860
<i>% of revenue</i>	19.2 %	21.5 %	19.4 %	17.9 %	19.7 %	18.0 %
Operating income	\$ 329	\$ 19	\$ 348	\$ 343	\$ 28	\$ 371
<i>% of revenue</i>	3.7 %	2.7 %	3.6 %	3.6 %	3.7 %	3.6 %
Intangible asset amortization ¹	21	-	21	22	-	22
Restructuring charges ²	(7)	-	(7)	34	-	34
Non-GAAP operating income	\$ 343	\$ 19	\$ 362	\$ 399	\$ 28	\$ 427
<i>% of revenue</i>	3.9 %	2.7 %	3.8 %	4.2 %	3.7 %	4.1 %
Effective tax rate			26.1 %			15.6 %
Intangible asset amortization ¹			(0.4)%			0.4 %
Restructuring charges ²			0.4 %			0.7 %
Loss on investments			0.5 %			-%
Non-GAAP effective tax rate			26.6 %			16.7 %

	Three Months Ended			Three Months Ended		
	July 29, 2023			July 30, 2022		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
Diluted EPS			\$ 1.25			\$ 1.35
Intangible asset amortization ¹	\$ 21	\$ 21	0.10	\$ 22	\$ 17	0.07
Restructuring charges ²	(7)	(7)	(0.03)	34	26	0.12
Loss on investments	2	2	-	-	-	-
Gain on sale of subsidiary, net ³	(21)	(21)	(0.10)	-	-	-
Non-GAAP diluted EPS			\$ 1.22			\$ 1.54

	Six Months Ended			Six Months Ended		
	July 29, 2023			July 30, 2022		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 3,440	\$ 287	\$ 3,727	\$ 3,473	\$ 299	\$ 3,772
% of revenue	19.4 %	21.1 %	19.6 %	17.8 %	19.8 %	18.0 %
Intangible asset amortization ¹	(41)	-	(41)	(44)	-	(44)
Non-GAAP SG&A	\$ 3,399	\$ 287	\$ 3,686	\$ 3,429	\$ 299	\$ 3,728
% of revenue	19.2 %	21.1 %	19.3 %	17.6 %	19.8 %	17.8 %
Operating income	\$ 619	\$ 40	\$ 659	\$ 772	\$ 61	\$ 833
% of revenue	3.5 %	2.9 %	3.5 %	4.0 %	4.0 %	4.0 %
Intangible asset amortization ¹	41	-	41	44	-	44
Restructuring charges ²	(15)	(1)	(16)	34	1	35
Non-GAAP operating income	\$ 645	\$ 39	\$ 684	\$ 850	\$ 62	\$ 912
% of revenue	3.6 %	2.9 %	3.6 %	4.4 %	4.1 %	4.3 %
Effective tax rate			24.8 %			20.5 %
Intangible asset amortization ¹			0.4 %			0.2 %
Restructuring charges ²			(0.1)%			0.1 %
Non-GAAP effective tax rate			25.1 %			20.8 %

	Six Months Ended			Six Months Ended		
	July 29, 2023			July 30, 2022		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
Diluted EPS			\$ 2.36			\$ 2.85
Intangible asset amortization ¹	\$ 41	\$ 36	0.16	\$ 44	\$ 34	0.14
Restructuring charges ²	(16)	(14)	(0.06)	35	27	0.12
Loss on investments	2	2	0.01	-	-	-
Gain on sale of subsidiary, net ³	(21)	(21)	(0.10)	-	-	-
Non-GAAP diluted EPS			\$ 2.37			\$ 3.11

- (1) Represents the non-cash amortization of definite-lived intangible assets associated with acquisitions, including customer relationships, tradenames and developed technology assets.
- (2) Represents charges related to employee termination benefits and subsequent adjustments from higher-than-expected employee retention related to previously planned organizational changes.
- (3) Represents the gain on sale of a Mexico subsidiary subsequent to our exit from operations in Mexico.
- (4) The non-GAAP adjustments primarily relate to the U.S. and Mexico. As such, the forecasted annual income tax charge on the U.S. non-GAAP adjustments is calculated using the statutory tax rate of 24.5%. There is no forecasted annual income tax benefit for Mexico non-GAAP items, as there is no forecasted annual tax expense on the income in the calculation of GAAP income tax expense.

Return on Assets and Non-GAAP Return on Investment

The tables below provide calculations of return on assets ("ROA") (GAAP financial measure) and non-GAAP return on investment ("ROI") (non-GAAP financial measure) for the periods presented. The company believes ROA is the most directly comparable financial measure to ROI. Non-GAAP ROI is defined as non-GAAP adjusted operating income after tax divided by average invested operating assets. All periods presented below apply this methodology consistently. The company believes non-GAAP ROI is a meaningful metric for investors to evaluate capital efficiency because it measures how key assets are deployed by adjusting operating income and total assets for the items noted below. This method of determining non-GAAP ROI may differ from other companies' methods and therefore may not be comparable to those used by other companies.

Return on Assets ("ROA")	July 29, 2023¹	July 30, 2022¹
Net earnings	\$ 1,290	\$ 1,772
Total assets	16,130	17,702
ROA	8.0 %	10.0 %

Non-GAAP Return on Investment ("ROI")	July 29, 2023¹	July 30, 2022¹
<u>Numerator</u>		
Operating income	\$ 1,621	\$ 2,306
Add: Non-GAAP operating income adjustments ²	179	136
Add: Operating lease interest ³	113	110
Less: Income taxes ⁴	(469)	(625)
Add: Depreciation	855	806
Add: Operating lease amortization ⁵	666	653
Adjusted operating income after tax	\$ 2,965	\$ 3,386

<u>Denominator</u>		
Total assets	\$ 16,130	\$ 17,702
Less: Excess cash ⁶	(346)	(1,374)
Add: Accumulated depreciation and amortization ⁷	5,071	6,212
Less: Adjusted current liabilities ⁸	(8,706)	(9,866)
Average invested operating assets	\$ 12,149	\$ 12,674

Non-GAAP ROI	24.4 %	26.7 %
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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 trailing 12 months ended as of each of the balance sheet dates.
- (2) Non-GAAP operating income adjustments include continuing operations adjustments for intangible asset amortization and restructuring charges. Additional details regarding these adjustments are included in the Reconciliation of Non-GAAP Financial Measures schedule within the company's earnings releases.
- (3) 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. The add-back is approximated by multiplying average operating lease assets by 4%, which approximates the interest rate on the company's operating lease liabilities.
- (4) Income taxes are approximated by 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 of 24.5% for the periods presented.
- (5) Operating lease amortization represents operating lease cost less operating lease interest. Operating lease cost includes short-term leases, which are immaterial, and excludes variable lease costs as these costs are not included in the operating lease asset balance.
- (6) Excess cash represents the amount of cash, cash equivalents and short-term investments greater than \$1 billion, which approximates the amount of cash the company believes is necessary to run the business and may fluctuate over time.
- (7) Accumulated depreciation and amortization represents accumulated depreciation related to property and equipment and accumulated amortization related to definite-lived intangible assets.
- (8) Adjusted current liabilities represent total current liabilities less short-term debt and the current portions of operating lease liabilities and long-term debt.