

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, 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		
	February 2, 2019			February 3, 2018		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 2,099	\$ 207	\$ 2,306	\$ 2,311	\$ 228	\$ 2,539
<i>% of revenue</i>	15.6%	15.9%	15.6%	16.5%	16.6%	16.5 %
Intangible asset amortization ¹	(17)	—	(17)	—	—	—
Tax reform-related item - employee bonus ²	—	—	—	(75)	(5)	(80)
Tax reform-related item - charitable contribution ²	—	—	—	(20)	—	(20)
Non-GAAP SG&A	<u>\$ 2,082</u>	<u>\$ 207</u>	<u>\$ 2,289</u>	<u>\$ 2,216</u>	<u>\$ 223</u>	<u>\$ 2,439</u>
<i>% of revenue</i>	15.4%	15.9%	15.5%	15.8%	16.2%	15.9 %
Operating income	\$ 886	\$ 92	\$ 978	\$ 793	\$ 79	\$ 872
<i>% of revenue</i>	6.6%	7.1%	6.6%	5.7%	5.7%	5.7 %
Intangible asset amortization ¹	17	—	17	—	—	—
Restructuring charges ³	—	(1)	(1)	9	1	10
Tax reform-related item - employee bonus ²	—	—	—	75	5	80
Tax reform-related item - charitable contribution ²	—	—	—	20	—	20
Non-GAAP operating income	<u>\$ 903</u>	<u>\$ 91</u>	<u>\$ 994</u>	<u>\$ 897</u>	<u>\$ 85</u>	<u>\$ 982</u>
<i>% of revenue</i>	6.7%	7.0%	6.7%	6.4%	6.2%	6.4 %
Effective tax rate			24.3%			58.2 %
Tax reform - repatriation tax ²			0.2%			(24.0)%
Tax reform - deferred tax rate change ²			0.1%			(8.4)%
Tax reform-related item - employee bonus ²			—%			0.9 %
Tax reform-related item - charitable contribution ²			—%			0.2 %
Restructuring charges ³			—%			0.1 %
Non-GAAP effective tax rate			<u>24.6%</u>			<u>27.0 %</u>

	Three Months Ended			Three Months Ended		
	February 2, 2019			February 3, 2018		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
GAAP diluted EPS			\$ 2.69			\$ 1.23
Intangible asset amortization ¹	\$ 17	\$ 13	0.05	\$ —	\$ —	—
Acquisition-related transaction costs ¹	—	1	—	—	—	—
Restructuring charges ³	(1)	(1)	(0.01)	10	6	0.02
Tax reform - repatriation tax ²	—	(2)	(0.01)	—	209	0.71
Tax reform - deferred tax rate change ²	—	—	—	—	74	0.24
Tax reform-related item - employee bonus ²	—	—	—	80	51	0.18
Tax reform-related item - charitable contribution ²	—	—	—	20	13	0.04
Gain on investments, net	—	—	—	—	(1)	—
Non-GAAP diluted EPS			\$ 2.72			\$ 2.42

	Twelve Months Ended			Twelve Months Ended		
	February 2, 2019			February 3, 2018		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 7,300	\$ 715	\$ 8,015	\$ 7,304	\$ 719	\$ 8,023
<i>% of revenue</i>	18.6%	20.0%	18.7 %	18.9%	20.6%	19.0 %
Intangible asset amortization ¹	(22)	—	(22)	—	—	—
Acquisition-related transaction costs ¹	(13)	—	(13)	—	—	—
Tax reform-related item - employee bonus ²	(6)	(1)	(7)	(75)	(5)	(80)
Tax reform-related item - charitable contribution ²	—	—	—	(20)	—	(20)
Non-GAAP SG&A	\$ 7,259	\$ 714	\$ 7,973	\$ 7,209	\$ 714	\$ 7,923
<i>% of revenue</i>	18.5%	20.0%	18.6 %	18.6%	20.5%	18.8 %

Operating income	\$ 1,797	\$ 103	\$ 1,900	\$ 1,752	\$ 91	\$ 1,843
<i>% of revenue</i>	4.6%	2.9%	4.4 %	4.5%	2.6%	4.4 %
Restructuring charges ³	47	(1)	46	9	1	10
Intangible asset amortization ¹	22	—	22	—	—	—
Acquisition-related transaction costs ¹	13	—	13	—	—	—
Tax reform-related item - employee bonus ²	6	1	7	75	5	80
Tax reform-related item - charitable contribution ²	—	—	—	20	—	20
Non-GAAP operating income	\$ 1,885	\$ 103	\$ 1,988	\$ 1,856	\$ 97	\$ 1,953
<i>% of revenue</i>	4.8%	2.9%	4.6 %	4.8%	2.8%	4.6 %

Effective tax rate			22.4 %			45.0 %
Tax reform - repatriation tax ²			1.1 %			(11.5)%
Tax reform - deferred tax rate change ²			0.3 %			(4.1)%
Tax reform-related item - employee bonus ²			— %			0.3 %
Tax reform-related item - charitable contribution ²			— %			0.1 %
Restructuring charges ³			(0.1)%			— %
Non-GAAP effective tax rate			23.7 %			29.8 %

	Twelve Months Ended			Twelve Months Ended		
	February 2, 2019			February 3, 2018		
	Pretax Earnings	Net of Tax ⁴	Per Share	Pretax Earnings	Net of Tax ⁴	Per Share
GAAP diluted EPS			\$ 5.20			\$ 3.26
Restructuring charges ³	\$ 46	\$ 35	0.12	\$ 10	\$ 7	0.02
Intangible asset amortization ¹	22	17	0.06	—	—	—
Acquisition-related transaction costs ¹	13	11	0.04	—	—	—
(Gain) loss on investments, net	(12)	(9)	(0.03)	6	4	0.01
Tax reform - repatriation tax ²	—	(20)	(0.07)	—	209	0.68
Tax reform - deferred tax rate change ²	—	(5)	(0.02)	—	74	0.24
Tax reform-related item - employee bonus ²	7	5	0.02	80	51	0.17
Tax reform-related item - charitable contribution ²	—	—	—	20	13	0.04
Non-GAAP diluted EPS			\$ 5.32			\$ 4.42

- (1) Represents charges associated with the acquisition of GreatCall, Inc., including 1) acquisition-related transaction costs primarily comprised of professional fees, and 2) the non-cash amortization of definite-lived intangible assets, including customer relationships, tradenames and technology.
- (2) Represents charges and subsequent adjustments resulting from the Tax Cuts and Jobs Act of 2017 ("tax reform") enacted into law in Q4 FY18, including amounts associated with a deemed repatriation tax and the revaluation of deferred tax assets and liabilities, as well as tax reform-related items announced in response to future tax savings created by tax reform, including a one-time bonus for certain employees and a one-time contribution to the Best Buy Foundation.
- (3) Represents charges primarily associated with the closure of our Best Buy Mobile stand-alone stores in the U.S.
- (4) The non-GAAP adjustments relate primarily to adjustments in the United States and Canada. As such, the income tax charge is calculated using the statutory tax rates for the United States (24.5% for the periods ended February 2, 2019, and 36.7% for the periods ended February 3, 2018) and Canada (26.9% for the periods ended February 2, 2019, and 26.6% for the periods ended February 3, 2018), applied to the non-GAAP adjustments of each country.

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. 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")	February 2, 2019¹	February 3, 2018¹
Net earnings	\$ 1,464	\$ 1,000
Total assets	12,994	13,558
ROA	11.3%	7.4%
Calculation of Non-GAAP Return on Invested Capital ("ROIC")	February 2, 2019¹	February 3, 2018¹
<u>Net Operating Profit After Taxes ("NOPAT")</u>		
Operating income - continuing operations	\$ 1,900	\$ 1,843
Operating income - discontinued operations	—	1
Total operating income	1,900	1,844
Add: Operating lease interest ²	227	235
Add: Non-GAAP operating income adjustments ³	88	110
Add: Investment income	49	54
Less: Income taxes ⁴	(560)	(812)
Non-GAAP NOPAT	\$ 1,704	\$ 1,431
<u>Average Invested Capital</u>		
Total assets	\$ 12,994	\$ 13,558
Less: Excess cash ⁵	(1,633)	(2,969)
Add: Capitalized operating lease obligations ⁶	3,790	3,914
Total liabilities	(9,763)	(9,406)
Exclude: Debt ⁷	1,226	1,346
Average Invested Capital	\$ 6,614	\$ 6,443
 Non-GAAP ROIC	 25.8%	 22.2%

- (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 properly reflect the total interest expense that the company would incur, if its operating leases were capitalized or owned. The add-back is calculated by multiplying the trailing 12-month total rent expense by 30%. This multiple is used for the retail sector by one of the nationally recognized credit rating agencies that rates the company's credit worthiness, and the company considers it to be an appropriate multiple for its lease portfolio.
- (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 our 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 36.7% 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 obligations represent the estimated assets that the company would record, if the company's operating leases were capitalized or owned. The obligation is calculated by multiplying the trailing 12-month total rent expense by the multiple of five. This multiple is used for the retail sector by one of the nationally recognized credit rating agencies that rates the company's credit worthiness, and the company considers it to be an appropriate multiple for its lease portfolio.
- (7) Debt includes short-term debt, current portion of long-term debt and long-term debt and is added back to the company's calculation of average invested capital to show its exclusion from total liabilities.