UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 2, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-9595

BEST BUY CO., INC.

(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	**41-0907483** (I.R.S. Employer Identification No.)
7601 Penn Avenue South **Richfield, Minnesota** (Address of principal executive offices)	**55423** (Zip Code)

(612) 291-1000
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.10 par value per share	**BBY**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☐ **No** ☒

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Smaller Reporting Company ☐ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). **Yes** ☐ **No** ☒

The registrant had 258,777,447 shares of common stock outstanding as of December 4, 2019.

BEST BUY CO., INC.
FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 2, 2019

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
$ in millions, except per share amounts (unaudited)

	November 2, 2019	February 2, 2019	November 3, 2018
Assets			
Current assets			
Cash and cash equivalents	$ 1,205	$ 1,980	$ 1,228
Short-term investments	-	-	76
Receivables, net	1,056	1,015	921
Merchandise inventories	7,569	5,409	8,168
Other current assets	345	466	508
Total current assets	10,175	8,870	10,901
Property and equipment, net	2,359	2,510	2,525
Operating lease assets	2,751	-	-
Goodwill	982	915	921
Other assets	659	606	653
Total assets	$ 16,926	$ 12,901	$ 15,000
Liabilities and equity			
Current liabilities			
Accounts payable	$ 7,232	$ 5,257	$ 7,964
Unredeemed gift card liabilities	271	290	281
Deferred revenue	445	446	449
Accrued compensation and related expenses	351	482	349
Accrued liabilities	769	982	844
Current portion of operating lease liabilities	644	-	-
Current portion of long-term debt	14	56	46
Total current liabilities	9,726	7,513	9,933
Long-term liabilities	636	750	775
Long-term operating lease liabilities	2,200	-	-
Long-term debt	1,239	1,332	1,280
Contingencies (Note 14)			
Equity			
Preferred stock, $1.00 par value: Authorized - 400,000 shares; Issued and outstanding - none	-	-	-
Common stock, $0.10 par value: Authorized - 1.0 billion shares; Issued and outstanding - 260 million, 266 million, and 272 million shares, respectively	26	27	27
Retained earnings	2,809	2,985	2,685
Accumulated other comprehensive income	290	294	300
Total equity	3,125	3,306	3,012
Total liabilities and equity	$ 16,926	$ 12,901	$ 15,000

NOTE: The Consolidated Balance Sheet as of February 2, 2019, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Earnings
$ and shares in millions, except per share amounts (unaudited)

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Revenue	$ 9,764	$ 9,590	$ 28,442	$ 28,078
Cost of goods sold	7,403	7,266	21,629	21,400
Gross profit	2,361	2,324	6,813	6,678
Selling, general and administrative expenses	1,973	2,002	5,730	5,709
Restructuring charges	(7)	-	41	47
Operating income	395	322	1,042	922
Other income (expense):				
Gain on sale of investments	1	12	1	12
Investment income and other	9	11	33	35
Interest expense	(16)	(15)	(50)	(53)
Earnings before income tax expense	389	330	1,026	916
Income tax expense	96	53	230	187
Net earnings	$ 293	$ 277	$ 796	$ 729
Basic earnings per share	$ 1.11	$ 1.01	$ 2.99	$ 2.62
Diluted earnings per share	$ 1.10	$ 0.99	$ 2.96	$ 2.57
Weighted-average common shares outstanding				
Basic	263.2	274.3	266.0	278.6
Diluted	265.2	279.3	269.1	283.8

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income
$ in millions (unaudited)

	Three Months Ended		Nine Months Ended	
	November 2, 2019	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Net earnings	$ 293	$ 277	$ 796	$ 729
Foreign currency translation adjustments	(4)	4	(4)	(14)
Comprehensive income	$ 289	$ 281	$ 792	$ 715

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows
$ in millions (unaudited)

	Nine Months Ended	
	November 2, 2019	November 3, 2018
Operating activities		
Net earnings	$ 796	$ 729
Adjustments to reconcile net earnings to total cash provided by operating activities:		
Depreciation and amortization	607	550
Restructuring charges	41	47
Stock-based compensation	109	92
Deferred income taxes	20	15
Other, net	16	(10)
Changes in operating assets and liabilities, net of acquired assets and liabilities:		
Receivables	(36)	121
Merchandise inventories	(2,159)	(2,950)
Other assets	(2)	(45)
Accounts payable	1,984	3,085
Other liabilities	(292)	(400)
Income taxes	(147)	(127)
Total cash provided by operating activities	937	1,107
Investing activities		
Additions to property and equipment	(586)	(619)
Purchases of investments	(319)	-
Sales of investments	322	1,970
Acquisitions, net of cash acquired	(145)	(792)
Other, net	1	15
Total cash provided by (used in) investing activities	(727)	574
Financing activities		
Repurchase of common stock	(696)	(1,144)
Issuance of common stock	45	37
Dividends paid	(398)	(376)
Borrowings of debt	-	498
Repayments of debt	(11)	(535)
Other, net	-	(6)
Total cash used in financing activities	(1,060)	(1,526)
Effect of exchange rate changes on cash	(2)	(16)
Increase (decrease) in cash, cash equivalents and restricted cash	(852)	139
Cash, cash equivalents and restricted cash at beginning of period	2,184	1,300
Cash, cash equivalents and restricted cash at end of period	$ 1,332	$ 1,439

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity
$ and shares in millions, except per share amounts (unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at August 3, 2019	265	$ 26	$ -	$ 2,965	$ 294	$ 3,285
Net earnings, three months ended November 2, 2019	-	-	-	293	-	293
Other comprehensive loss, net of tax:						
Foreign currency translation adjustments	-	-	-	-	(4)	(4)
Stock-based compensation	-	-	35	-	-	35
Issuance of common stock	-	-	18	-	-	18
Common stock dividends, $0.50 per share	-	-	2	(133)	-	(131)
Repurchase of common stock	(5)	-	(55)	(316)	-	(371)
Balances at November 2, 2019	260	$ 26	$ -	$ 2,809	$ 290	$ 3,125
Balances at February 2, 2019	266	$ 27	$ -	$ 2,985	$ 294	$ 3,306
Adoption of ASU 2016-02	-	-	-	(22)	-	(22)
Net earnings, nine months ended November 2, 2019	-	-	-	796	-	796
Other comprehensive loss, net of tax:						
Foreign currency translation adjustments	-	-	-	-	(4)	(4)
Stock-based compensation	-	-	109	-	-	109
Issuance of common stock	4	-	45	-	-	45
Common stock dividends, $1.50 per share	-	-	6	(404)	-	(398)
Repurchase of common stock	(10)	(1)	(160)	(546)	-	(707)
Balances at November 2, 2019	260	$ 26	$ -	$ 2,809	$ 290	$ 3,125
Balances at August 2, 2018	276	$ 27	$ -	$ 2,863	$ 296	$ 3,186
Net earnings, three months ended November 3, 2018	-	-	-	277	-	277
Other comprehensive income, net of tax:						
Foreign currency translation adjustments	-	-	-	-	4	4
Stock-based compensation	-	-	29	-	-	29
Issuance of common stock	-	-	8	-	-	8
Common stock dividends, $0.45 per share	-	-	1	(124)	-	(123)
Repurchase of common stock	(4)	-	(38)	(331)	-	(369)
Balances at November 3, 2018	272	$ 27	$ -	$ 2,685	$ 300	$ 3,012
Balances at February 3, 2018	283	$ 28	$ -	$ 3,270	$ 314	$ 3,612
Adoption of ASU 2014-09	-	-	-	73	-	73
Net earnings, nine months ended November 3, 2018	-	-	-	729	-	729
Other comprehensive loss, net of tax:						
Foreign currency translation adjustments	-	-	-	-	(14)	(14)
Stock-based compensation	-	-	92	-	-	92
Issuance of common stock	4	-	37	-	-	37
Common stock dividends, $1.35 per share	-	-	5	(379)	-	(374)
Repurchase of common stock	(15)	(1)	(134)	(1,008)	-	(1,143)
Balances at November 3, 2018	272	$ 27	$ -	$ 2,685	$ 300	$ 3,012

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us” and “our” in these Notes to Condensed Consolidated Financial Statements refers to Best Buy Co., Inc. and, as applicable, its consolidated subsidiaries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Historically, we have generated a large proportion of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. The first nine months of fiscal 2020 and fiscal 2019 included 39 weeks.

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one-month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our condensed consolidated financial statements. No such events were identified for the reported periods.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from November 2, 2019, through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. No such events were identified for the reported periods.

Unadopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of the current goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (i.e., measure the charge based on the current Step 1). We do not believe the new guidance, which is effective for fiscal years beginning after December 15, 2019, will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement - Disclosure Framework (Topic 820)*. The updated guidance improves the disclosure requirements for fair value measurements. We do not believe the updated guidance, which is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019, will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other - Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. This guidance requires companies to apply the internal-use software guidance in Accounting Standards Codification (“ASC”) 350-40 to implementation costs incurred in a hosting arrangement that is a service contract to determine whether to capitalize certain implementation costs or expense them as incurred. We do not believe the new guidance, which is effective for fiscal years beginning after December 15, 2019, will have a material impact on our consolidated financial statements.

Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires the recognition of operating lease assets and lease liabilities on the balance sheet. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Under the new standard, disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

In the first quarter of fiscal 2020, we adopted ASU 2016-02 using the "Comparatives Under 840 Option" approach to transition. Under this method, financial information related to periods prior to adoption were as originally reported under the previous standard – ASC 840, *Leases*. The effects of adopting the new standard (ASC 842, *Leases*) in fiscal 2020 were recognized as a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal first quarter. We elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carry forward the historical lease classification as operating or capital leases. We also elected to combine lease and non-lease components and to exclude short-term leases from our consolidated balance sheets. We did not elect the hindsight practical expedient in determining the lease term for existing leases as of February 3, 2019.

The most significant impact of adoption was the recognition of operating lease assets and operating lease liabilities of $2.7 billion and $2.8 billion, respectively, while our accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The cumulative impact of these changes decreased retained earnings by $22 million, which includes a $3 million net-of-tax adjustment made during the second quarter of fiscal 2020 related to on-adoption impairment charges. We expect the impact of adoption to be immaterial to our consolidated statements of earnings and consolidated statements of cash flows on an ongoing basis. As part of our adoption, we also modified our control procedures and processes, none of which materially affected our internal control over financial reporting. See Note 4, *Leases*, for additional information regarding our accounting policy for leases and additional disclosures.

The cumulative effect of the changes made to our Condensed Consolidated Balance Sheets for the adoption of this standard was as follows ($ in millions):

	February 2, 2019 As Reported	ASU 2016-02 Adjustment on February 3, 2019	February 3, 2019 Adjusted
Assets			
Other current assets	$ 466	$ (65)[a]	$ 401
Net property and equipment	2,510	(173)[b]	2,337
Operating lease assets	-	2,732 [c]	2,732
Other assets	606	5 [d]	611
Liabilities			
Accrued liabilities	982	(28)[e]	954
Current portion of operating lease liabilities	-	712 [f]	712
Current portion of long-term debt	56	(43)[b]	13
Long-term liabilities	750	(115)[e]	635
Long-term operating lease liabilities	-	2,135 [f]	2,135
Long-term debt	1,332	(140)[b]	1,192
Equity			
Retained earnings	2,985	(22)[g]	2,963

(a) Represents the reclassification of prepaid rent and leasehold acquisition costs to Operating lease assets.
(b) Represents the derecognition of financing obligations and reclassification to Operating lease assets.
(c) Represents the capitalization of operating lease assets and the reclassification of prepaid rent and leasehold acquisition costs, offset by the reclassification of straight-line rent accruals, tenant improvement allowances and vacant space reserves.
(d) Represents the deferred tax impact of the on-adoption adjustments.
(e) Represents the reclassification of straight-line rent accruals, tenant improvement allowances and vacant space reserves to Operating lease assets.
(f) Represents the recognition of operating lease liabilities.
(g) Represents the net-of-tax retained earnings impact of impairment charges and the derecognition of financing obligations.

Total Cash, Cash Equivalents and Restricted Cash

The reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets to the totals shown within the Condensed Consolidated Statements of Cash Flows was as follows ($ in millions):

	November 2, 2019	November 3, 2018
Cash and cash equivalents	$ 1,205	$ 1,228
Restricted cash included in Other current assets	127	211
Total cash, cash equivalents and restricted cash	$ 1,332	$ 1,439

Amounts included in restricted cash are pledged as collateral or restricted to use for workers' compensation and general liability insurance claims.

2. Acquisitions

Critical Signal Technologies, Inc.

On May 9, 2019, we acquired all of the outstanding shares of Critical Signal Technologies, Inc. ("CST"), a health services company, for net cash consideration of $125 million. The acquisition of CST is aligned with our strategy to address health and wellness with a focus on aging seniors and how technology can help them live longer in their homes.

The acquisition was accounted for using the acquisition method of accounting for business combinations. Accordingly, the cost was allocated to the underlying net assets based on their respective fair values, and the excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. The purchase price allocation for the assets acquired and liabilities assumed is substantially complete, but may be subject to immaterial changes. The acquired assets were primarily comprised of $83 million of customer relationships (amortized over 15 years) recorded within Other assets on our Condensed Consolidated Balance Sheets. Goodwill of $50 million was recorded and assigned to our Health (previously referred to as GreatCall) reporting unit and is not expected to be deductible for income tax purposes. We recorded $3 million of transaction costs related to the acquisition within Selling, general and administrative ("SG&A") expenses on our Condensed Consolidated Statements of Earnings during the second quarter of fiscal 2020. Results of operations from the date of acquisition were included within our Health (previously referred to as GreatCall) operating segment, Domestic reportable segment and Services revenue category. The acquisition of CST is not material to the results of our operations.

BioSensics, LLC

On August 7, 2019, we acquired the predictive healthcare technology business of BioSensics, LLC ("BioSensics") for net cash consideration of $20 million, primarily comprised of $19 million of goodwill and $4 million of definite-lived technology (amortized over 3 years). Goodwill, which was assigned to our Domestic reporting unit, is deductible for tax purposes. The acquisition currently supports our health strategy and is included in our Domestic operating and reportable segments. The transaction was accounted for as a business combination and is not material to the results of our operations.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 — Unadjusted quoted prices that are available in active markets for identical assets or liabilities at the measurement date.

Level 2 — Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Financial assets and liabilities accounted for at fair value were as follows ($ in millions):

	Fair Value Hierarchy	Fair Value at November 2, 2019	Fair Value at February 2, 2019	Fair Value at November 3, 2018
Assets				
Cash and cash equivalents:				
Money market funds	Level 1	$ 21	$ 98	$ 126
Time deposits	Level 2	85	300	-
Short-term investments:				
Time deposits	Level 2	-	-	76
Other current assets:				
Money market funds	Level 1	20	82	72
Time deposits	Level 2	100	101	100
Foreign currency derivative instruments	Level 2	-	-	1
Other assets:				
Marketable securities that fund deferred compensation	Level 1	47	44	100
Interest rate swap derivative instruments	Level 2	70	26	-
Liabilities				
Long-term liabilities:				
Interest rate swap derivative instruments	Level 2	-	1	22

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds. Our money market fund investments were measured at fair value as they trade in an active market using quoted market prices and, therefore, were classified as Level 1.

Time deposits. Our time deposits are balances held with banking institutions that cannot be withdrawn for specified terms without a penalty. Time deposits are held at face value plus accrued interest, which approximates fair value, and were classified as Level 2.

Foreign currency derivative instruments. Comprised primarily of foreign currency forward contracts, our foreign currency derivative instruments were measured at fair value using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates. Our foreign currency derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Marketable securities that fund deferred compensation. The assets that fund our deferred compensation consist of investments in corporate-owned life insurance, the value of which is based on select mutual fund performance. These investments were classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Interest rate swap derivative instruments. Our interest rate swap contracts were measured at fair value using readily observable inputs, such as the LIBOR interest rate. Our interest rate swap derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible fixed assets, operating lease assets, goodwill and other intangible assets, which are remeasured when the derived fair value is below the carrying value on our Condensed Consolidated Balance Sheets. For these assets, we do not periodically adjust the carrying value to fair value, except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded within Selling, general and administrative ("SG&A") expenses on our Condensed Consolidated Statements of Earnings for non-restructuring charges.

Fair value remeasurements of property and equipment and operating lease assets were as follows ($ in millions):

	Impairments				Remaining Net Carrying Value[1]	
	Three Months Ended		Nine Months Ended			
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Property and equipment (non-restructuring)	$ 9	$ 3	$ 19	$ 8	$ -	$ -
Operating lease assets[2]	1	-	2	-	-	-
Total	$ 10	$ 3	$ 21	$ 8	$ -	$ -

(1) Remaining net carrying value of assets impaired during the three months ended November 2, 2019, and November 3, 2018, approximates fair value as of November 2, 2019, and November 3, 2018.
(2) Represents activity related to operating lease assets post-adoption of ASC 842, *Leases*.

All of the fair value remeasurements included in the table above were based on significant unobservable inputs (Level 3). Fixed asset fair values were primarily derived using a discounted cash flow ("DCF") model to estimate the present value of net cash flows that the asset or asset group was expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments, accounts payable, other payables and long-term debt. The fair values of cash, receivables, accounts payable and other payables approximated carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. Fair values for other investments held at cost are not readily available, but we estimate that the carrying values for these investments approximate fair value. See Note 7, *Debt*, for information about the fair value of our long-term debt.

4. Leases

The majority of our lease obligations are real estate operating leases from which we conduct the majority of our retail and distribution operations. Our finance leases are primarily equipment-related. For any lease with an initial term in excess of 12 months, the related lease assets and liabilities are recognized on our Condensed Consolidated Balance Sheets as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. We have lease agreements that contain both lease and non-lease components. For lease agreements entered into or reassessed after the adoption of ASC 842, *Leases*, we have elected to combine lease and non-lease components for all classes of assets. Leases with an initial term of 12 months or less are not recorded on our Condensed Consolidated Balance Sheets; we recognize lease expense for these leases on a straight-line basis over the lease term.

Operating lease assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. We use a collateralized incremental borrowing rate based on the information available at the commencement date, including the lease term, in determining the present value of future payments. Our operating leases also typically require payment of real estate taxes, common area maintenance and insurance. These components comprise the majority of our variable lease cost and are excluded from the present value of our lease obligations. In instances where they are fixed, they are included due to our election to combine lease and non-lease components. Operating lease assets also include prepaid lease payments and initial direct costs, and are reduced by lease incentives. Our lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Fixed payments may contain predetermined fixed rent escalations. We recognize the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

Supplemental balance sheet information related to our leases was as follows ($ in millions):

	Balance Sheet Location	November 2, 2019
Assets		
Operating leases	Operating lease assets	$ 2,751
Finance leases	Property and equipment, net[1]	36
Total lease assets		$ 2,787
Liabilities		
Current:		
Operating leases	Current portion of operating lease liabilities	$ 644
Finance leases	Current portion of long-term debt	14
Non-current:		
Operating leases	Long-term operating lease liabilities	2,200
Finance leases	Long-term debt	25
Total lease liabilities		$ 2,883

(1) Finance leases are recorded net of accumulated depreciation of $51 million.

Components of our total lease cost were as follows ($ in millions):

	Statement of Earnings Location	Three Months Ended November 2, 2019	Nine Months Ended November 2, 2019
Operating lease cost[1]	Cost of goods sold and SG&A[2]	$ 196	$ 585
Finance lease cost:			
Depreciation of lease assets	Cost of goods sold and SG&A[2]	3	10
Interest on lease liabilities	Interest expense	-	1
Variable lease cost	Cost of goods sold and SG&A[2]	66	201
Sublease income	SG&A	(3)	(12)
Total lease cost		$ 262	$ 785

(1) Includes short-term leases, which are immaterial.
(2) Supply chain-related amounts are included in Cost of goods sold.

Other information related to our leases was as follows ($ in millions):

	Three Months Ended November 2, 2019	Nine Months Ended November 2, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 204	$ 608
Operating cash flows from finance leases	-	1
Financing cash flows from finance leases	3	11
Lease assets obtained in exchange for new lease liabilities:		
Operating leases	157	551
Finance leases	4	8

	November 2, 2019
Weighted average remaining lease term:	
Operating leases	5.4 years
Finance leases	5.2 years
Weighted average discount rate:	
Operating leases	3.4 %
Finance leases	4.2 %

Future lease payments under our non-cancellable leases as of November 2, 2019, were as follows ($ in millions):

	Operating Leases(1)	Finance Leases(1)
Remainder of fiscal 2020	$ 139	$ 4
Fiscal 2021	777	14
Fiscal 2022	646	10
Fiscal 2023	494	6
Fiscal 2024	369	3
Fiscal 2025	260	2
Thereafter	440	5
Total future undiscounted lease payments	3,125	44
Less imputed interest	281	5
Total reported lease liability	$ 2,844	$ 39

(1) Lease payments exclude $19 million of legally binding fixed costs for leases signed but not yet commenced, primarily related to operating leases.

In accordance with the prior guidance, ASC 840, *Leases*, our leases were previously designated as either capital, financing or operating. Previously designated capital leases are now considered finance leases under the new guidance, ASC 842, *Leases*, while our previously existing financing leases have been derecognized and reclassified as operating leases. The designation of operating leases remains substantially unchanged under the new guidance. The future minimum lease payments by fiscal year as determined prior to the adoption of ASC 842, *Leases*, under our previously designated capital, financing and operating leases (not including contingent rent) as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, were as follows ($ in millions):

	Capital Leases	Financing Leases	Operating Leases(1)
Fiscal 2020	$ 14	$ 48	$ 700
Fiscal 2021	11	42	648
Fiscal 2022	7	35	513
Fiscal 2023	4	24	371
Fiscal 2024	2	16	253
Thereafter	7	40	476
Total minimum lease payments	45	205	$ 2,961
Less amount representing interest	(6)	(24)	
Present value of minimum lease payments	39	181	
Less current maturities	(12)	(43)	
Present value of minimum lease maturities, less current maturities	$ 27	$ 138	

(1) Operating lease obligations do not include payments to landlords covering real estate taxes and common area maintenance. These charges, if included, would have increased total operating lease obligations by $0.8 billion at February 2, 2019.

5. Goodwill and Intangible Assets

Goodwill

Balances related to goodwill were as follows ($ in millions):

	November 2, 2019		February 2, 2019		November 3, 2018	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
Goodwill	$ 1,657	$ (675)	$ 1,590	$ (675)	$ 1,596	$ (675)

Indefinite-Lived Intangible Assets

We have indefinite-lived intangible assets primarily related to our Pacific Sales tradename which are recorded within Other assets on our Condensed Consolidated Balance Sheets. The carrying value of indefinite-lived intangible assets was $18 million as of November 2, 2019, February 2, 2019, and November 3, 2018.

Definite-Lived Intangible Assets

We have definite-lived intangible assets which are recorded within Other assets on our Condensed Consolidated Balance Sheets. Balances of our definite-lived intangible assets were as follows ($ in millions):

	November 2, 2019		February 2, 2019		November 3, 2018		Weighted-Average Useful Life Remaining as of November 2, 2019 (in years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Customer relationships	$ 341	$ 56	$ 258	$ 16	$ 258	$ 4	7.3
Tradename	63	9	63	3	61	1	6.9
Developed technology	56	11	52	4	52	1	3.8
Total	$ 460	$ 76	$ 373	$ 23	$ 371	$ 6	6.8

We recorded $18 million and $53 million of aggregate amortization expense related to definite-lived intangible assets during the three and nine months ended November 2, 2019, respectively, and $6 million for both the three and nine months ended November 3, 2018. Amortization expense expected to be recognized in future periods is as follows ($ in millions):

	Amortization Expense
Remainder of fiscal 2020	$ 19
Fiscal 2021	74
Fiscal 2022	74
Fiscal 2023	74
Fiscal 2024	54
Fiscal 2025	16
Thereafter	73

6. Derivative Instruments

We manage our economic and transaction exposure to certain risks by using foreign currency derivative instruments and interest rate swaps. Our objective in holding derivatives is to reduce the volatility of net earnings, cash flows and net asset value associated with changes in foreign currency exchange rates and interest rates. We do not hold derivative instruments for trading or speculative purposes. We have no derivatives that have credit risk-related contingent features and we mitigate our credit risk by engaging with financial institutions with investment-grade credit ratings as our counterparties.

We record all derivative instruments on our Condensed Consolidated Balance Sheets at fair value and evaluate hedge effectiveness prospectively or retrospectively when electing to apply hedge accounting. We formally document all hedging relations at inception for derivative hedges and the underlying hedged items, as well as the risk management objectives and strategies for undertaking the hedge transaction. In addition, we have derivatives which are not designated as hedging instruments.

Net Investment Hedges

We use foreign exchange forward contracts to hedge against the effect of Canadian dollar exchange rate fluctuations on a portion of our net investment in our Canadian operations. The contracts have terms of up to 12 months. For a net investment hedge, we recognize changes in the fair value of the derivative as a component of foreign currency translation within other comprehensive income to offset a portion of the change in translated value of the net investment being hedged, until the investment is sold or liquidated. We limit recognition in net earnings of amounts previously recorded in other comprehensive income to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. We report the gains and losses, if any, related to the amount excluded from the assessment of hedge effectiveness in net earnings.

Interest Rate Swaps

We utilized "receive fixed-rate, pay variable-rate" interest rate swaps to mitigate the effect of interest rate fluctuations on our $500 million principal amount of notes due August 1, 2018, prior to their maturity, and currently have swaps outstanding on our $650 million principal amount of notes due March 15, 2021, and $500 million principal amount of notes due October 1, 2028. Our interest rate swap contracts are considered perfect hedges because the critical terms and notional amounts match those of our fixed-rate debt being hedged and are, therefore, accounted for as fair value hedges using the shortcut method. Under the shortcut method, we recognize the change in the fair value of the derivatives with an offsetting change to the carrying value of the debt. Accordingly, there is no impact on our Condensed Consolidated Statements of Earnings from the fair value of the derivatives.

Derivatives Not Designated as Hedging Instruments

We use foreign currency forward contracts to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies. The contracts generally have terms of up to 12 months. These derivative instruments are not designated in hedging relationships and, therefore, we record gains and losses on these contracts directly to net earnings.

Summary of Derivative Balances

Gross fair values of our outstanding derivative instruments and the corresponding classifications were as follows ($ in millions):

		Assets		
Contract Type	**Balance Sheet Location**	**November 2, 2019**	**February 2, 2019**	**November 3, 2018**
Derivatives designated as net investment hedges	Other current assets	$ -	$ -	$ 1
Derivatives designated as interest rate swaps	Other assets	70	26	-
Total		$ 70	$ 26	$ 1

		Liabilities		
Contract Type	**Balance Sheet Location**	**November 2, 2019**	**February 2, 2019**	**November 3, 2018**
Derivatives designated as interest rate swaps	Long-term liabilities	$ -	$ 1	$ 22

Effects of derivative instruments on other comprehensive income ("OCI") were as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
Derivatives designated as net investment hedges	**November 2, 2019**	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Pre-tax gain recognized in OCI	$ -	$ 2	$ -	$ 21

Effects of derivatives not designated as hedging instruments on our Condensed Consolidated Statements of Earnings were as follows ($ in millions):

		Gain Recognized		Gain Recognized	
		Three Months Ended		Nine Months Ended	
Contract Type	**Statement of Earnings Location**	**November 2, 2019**	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
No hedge designation (foreign exchange contracts)	SG&A	$ -	$ -	$ -	$ 2

Effects of interest rate derivatives and adjustments to the carrying value of long-term debt on our Condensed Consolidated Statements of Earnings were as follows ($ in millions):

		Gain (Loss) Recognized		Gain (Loss) Recognized	
		Three Months Ended		Nine Months Ended	
Contract Type	**Statement of Earnings Location**	**November 2, 2019**	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Interest rate swap contracts	Interest expense	$ (8)	$ (15)	$ 45	$ (16)
Adjustments to carrying value of long-term debt	Interest expense	8	15	(45)	16
Total		$ -	$ -	$ -	$ -

Notional amounts of our derivative instruments were as follows ($ in millions):

	Notional Amount		
Contract Type	November 2, 2019	February 2, 2019	November 3, 2018
Derivatives designated as net investment hedges	$ 30	$ 15	$ 16
Derivatives designated as interest rate swaps	1,150	1,150	1,150
No hedge designation (foreign exchange contracts)	62	9	67
Total	$ 1,242	$ 1,174	$ 1,233

7. Debt

Short-Term Debt

We have a $1.25 billion five year senior unsecured revolving credit facility agreement with a syndicate of banks. The agreement permits borrowings of up to $1.25 billion and expires in April 2023. There were no borrowings outstanding as of November 2, 2019, February 2, 2019, or November 3, 2018.

Long-Term Debt

Long-term debt consisted of the following ($ in millions):

	November 2, 2019	February 2, 2019	November 3, 2018
Notes, 5.50%, due March 15, 2021	$ 650	$ 650	$ 650
Notes, 4.45%, due October 1, 2028	500	500	500
Interest rate swap valuation adjustments	70	25	(22)
Subtotal	1,220	1,175	1,128
Debt discounts and issuance costs	(6)	(7)	(8)
Financing lease obligations (1)	-	181	189
Capital lease obligations (1)	-	39	17
Finance lease obligations (1)	39	-	-
Total long-term debt	1,253	1,388	1,326
Less current portion	14	56	46
Total long-term debt, less current portion	$ 1,239	$ 1,332	$ 1,280

(1) See Note 4, *Leases*, for additional information regarding our lease obligations.

The fair value of total long-term debt, excluding debt discounts and issuance costs and lease obligations, approximated $1,288 million, $1,178 million, and $1,133 million as of November 2, 2019, February 2, 2019, and November 3, 2018, respectively, based primarily on market prices quoted from external sources, compared with carrying values of $1,220 million, $1,175 million, and $1,128 million, respectively. If long-term debt were measured at fair value in the financial statements, it would be classified primarily as Level 2 in the fair value hierarchy.

See Note 6, *Debt*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for additional information regarding the terms of our other debt facilities, debt instruments and other obligations.

8. Revenue Recognition

We generate revenue primarily from the sale of products and services, both as a principal and as an agent. We generate all of our operating revenue from contracts with customers. Our revenue excludes sales and usage-based taxes collected.

Revenue from product sales and services is reported net of sales refunds, which includes an estimate of future returns and contract cancellations based on historical refund rates, with a corresponding reduction to cost of sales. For revenue transactions that involve more than one performance obligation, we defer the revenue associated with any unsatisfied performance obligation until the obligation is satisfied.

Our contract liabilities primarily relate to product merchandise not yet delivered to customers; unredeemed gift cards; services not yet completed; and options that provide a material right to customers, such as our customer loyalty programs. We do not have any material contract assets.

Information about our contracts with customers, which reflects the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, was as follows ($ in millions):

	November 2, 2019	February 2, 2019	November 3, 2018
Receivables, net[1]	$ 591	$ 565	$ 588
Short-term contract liabilities included in:			
Unredeemed gift cards	271	290	281
Deferred revenue	445	446	449
Accrued liabilities	145	146	149
Long-term contract liabilities included in:			
Long-term liabilities	9	11	12

(1) Receivables are recorded net of allowances for doubtful accounts of $13 million, $13 million, and $15 million as of November 2, 2019, February 2, 2019, and November 3, 2018, respectively.

During the first nine months of fiscal 2020 and 2019, $762 million and $729 million of revenue was recognized, respectively, that was included in the contract liabilities at the beginning of the respective periods. No revenue was recognized from performance obligations satisfied in previous periods.

Revenue from our contract liabilities expected to be recognized in future periods if performance of the contract is expected to have a duration of more than one year is as follows ($ in millions):

	November 2, 2019[1]
Remainder of fiscal 2020	$ 3
Fiscal 2021	8
Fiscal 2022	4
Fiscal 2023	1
Thereafter	-

(1) Amounts exclude unsatisfied performance obligations from contract liability balances with a duration of one year or less. The estimated transaction price revenue disclosed above also does not include amounts of variable consideration attributable to contracts where the consideration is constrained at November 2, 2019.

See Note 13, *Segments,* for a disaggregation of revenue by reportable segment and product category, which represents how our chief operating decision maker reviews information internally to evaluate our financial performance and to make resource allocation and other decisions for the enterprise.

9. Restructuring Charges

Restructuring charges incurred in the third quarter and first nine months of fiscal 2020 were $(7) million and $41 million, respectively, related to U.S. retail operating model changes. Restructuring charges incurred in the third quarter and first nine months of fiscal 2019 were $0 million and $47 million, respectively, related to Best Buy Mobile.

U.S. Retail Operating Model

In the second quarter of fiscal 2020, we made changes primarily related to our U.S. retail operating model to increase organization effectiveness and create a more seamless customer experience across all channels. All charges incurred relate to termination benefits from continuing operations and are presented in Restructuring charges on our Condensed Consolidated Statements of Earnings.

The following table summarizes our restructuring accrual activity during the first nine months of fiscal 2020 ($ in millions):

	Termination Benefits
Balance at February 2, 2019	$ -
Charges	48
Cash payments	(23)
Adjustments[1]	(7)
Balance at November 2, 2019	$ 18

(1) Adjustments are related to higher-than-expected employee retention, and therefore lower severance expenses.

Best Buy Mobile

On March 1, 2018, we announced our intent to close all of our 257 remaining Best Buy Mobile stand-alone stores in the U.S. This decision was a result of changing economics in the mobile industry since we began opening these stores in 2006, along with the integration of our mobile model into our core stores and online channel, which are more economically compelling today. All restructuring charges related to this plan are from continuing operations and are presented in Restructuring charges on our Condensed Consolidated Statements of Earnings.

Restructuring charges incurred were as follows ($ in millions):

	Three Months Ended November 3, 2018	Nine Months Ended November 3, 2018	Cumulative Amount as of November 2, 2019
Property and equipment impairments	$ -	$ -	$ 1
Termination benefits	-	(2)	6
Facility closure and other costs	-	49	49
Total restructuring charges	$ -	$ 47	$ 56

The following table summarizes our restructuring accrual activity during the first nine months of fiscal 2019 ($ in millions):

	Termination Benefits	Facility Closures and Other Costs	Total
Balances at February 3, 2018	$ 8	$ -	$ 8
Charges	1	49	50
Cash payments	(6)	(48)	(54)
Adjustments[1]	(3)	-	(3)
Balances at November 3, 2018	$ -	$ 1	$ 1

(1) Adjustments represent changes in retention assumptions.

10. Earnings per Share

We compute our basic earnings per share based on the weighted-average number of common shares outstanding and our diluted earnings per share based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include stock options, nonvested share awards, dividend equivalents attached to nonvested share awards that are settled in shares of Best Buy common stock and shares issuable under our employee stock purchase plan. Nonvested market-based share awards and nonvested performance-based share awards are included in the average diluted shares outstanding for each period, if established market or performance criteria have been met at the end of the respective periods.

Reconciliations of the numerators and denominators of basic and diluted earnings per share were as follows ($ and shares in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Numerator				
Net earnings	$ 293	$ 277	$ 796	$ 729
Denominator				
Weighted-average common shares outstanding	263.2	274.3	266.0	278.6
Dilutive effect of stock compensation plan awards	2.0	5.0	3.1	5.2
Weighted-average common shares outstanding, assuming dilution	265.2	279.3	269.1	283.8
Potential shares which were anti-dilutive and excluded from weighted-average share computations	1.1	0.1	0.9	0.1
Basic earnings per share	$ 1.11	$ 1.01	$ 2.99	$ 2.62
Diluted earnings per share	$ 1.10	$ 0.99	$ 2.96	$ 2.57

11. Repurchase of Common Stock

On February 23, 2019, our Board of Directors ("Board") authorized a $3.0 billion share repurchase program. There is no expiration date governing the period over which we can repurchase shares under the February 2019 authorization.

Information regarding the shares we repurchased was as follows ($ and shares in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Total cost of shares repurchased	$ 371	$ 369	$ 707	$ 1,143
Average price per share	$ 67.28	$ 76.04	$ 68.56	$ 74.10
Number of shares repurchased	5.5	4.8	10.3	15.4

As of November 2, 2019, $2.3 billion of the $3.0 billion share repurchase authorization was available. Between the end of the third quarter of fiscal 2020 on November 2, 2019, and December 4, 2019, we repurchased an incremental 1.4 million shares of our common stock at a cost of $108 million.

12. Comprehensive Income

Changes in accumulated other comprehensive income, net of tax were as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Foreign currency translation adjustments	$ (4)	$ 4	$ (4)	$ (14)

See Note 6, *Derivative Instruments*, for information on gains and losses on our net investment hedges, which are included in foreign currency translation adjustments. Foreign currency translation adjustments do not include a provision for income tax expense when earnings from foreign operations are considered to be indefinitely reinvested outside the U.S. Refer to Note 11, *Income Taxes,* of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for additional information.

13. Segments

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our business is organized into two reportable segments: Domestic (which is comprised of all states, districts and territories of the U.S.) and International (which is comprised of all operations in Canada and Mexico). Our CODM has ultimate responsibility for enterprise decisions. Our CODM determines, in particular, resource allocation for, and monitors the performance of, the consolidated enterprise, the Domestic segment and the International segment. The Domestic segment managers and International segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. Our CODM relies on internal management reporting that analyzes enterprise results to the net earnings level and segment results to the operating income level.

We aggregate our Domestic and Health (previously referred to as GreatCall) operating segments into one Domestic reportable segment. We also aggregate our Canada and Mexico businesses into one International operating segment, which represents the International reportable segment. The accounting policies of the segments are the same.

Revenue by reportable segment and product category was as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Revenue by reportable segment				
Domestic	$ 8,964	$ 8,756	$ 26,266	$ 25,807
International	800	834	2,176	2,271
Total revenue	$ 9,764	$ 9,590	$ 28,442	$ 28,078
Revenue by product category (1)				
Domestic				
Computing and Mobile Phones	$ 4,238	$ 4,125	$ 12,006	$ 11,947
Consumer Electronics	2,659	2,665	8,101	8,091
Appliances	1,071	964	3,170	2,860
Entertainment	441	558	1,353	1,617
Services	519	409	1,526	1,185
Other	36	35	110	107
Total Domestic revenue	$ 8,964	$ 8,756	$ 26,266	$ 25,807
International				
Computing and Mobile Phones	$ 407	$ 425	$ 1,020	$ 1,092
Consumer Electronics	229	221	663	644
Appliances	67	69	209	215
Entertainment	37	55	109	140
Services	50	46	138	127
Other	10	18	37	53
Total International revenue	$ 800	$ 834	$ 2,176	$ 2,271

(1) Refer to our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for additional information regarding the key components of each revenue category.

Operating income by reportable segment and the reconciliation to earnings before income tax expense was as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Domestic	$ 388	$ 315	$ 1,029	$ 911
International	7	7	13	11
Total operating income	395	322	1,042	922
Other income (expense):				
Gain on sale of investments	1	12	1	12
Investment income and other	9	11	33	35
Interest expense	(16)	(15)	(50)	(53)
Earnings before income tax expense	$ 389	$ 330	$ 1,026	$ 916

Assets by reportable segment were as follows ($ in millions):

	November 2, 2019	February 2, 2019	November 3, 2018
Domestic	$ 15,442	$ 11,908	$ 13,812
International	1,484	993	1,188
Total assets	$ 16,926	$ 12,901	$ 15,000

14. Contingencies

We are involved in a number of legal proceedings. Where appropriate, we have made accruals with respect to these matters, which are reflected on our Condensed Consolidated Financial Statements. However, there are cases where liability is not probable or the amount cannot be reasonably estimated and, therefore, accruals have not been made. We provide disclosure of matters where we believe it is reasonably possible the impact may be material to our Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us” and “our” refers to Best Buy Co., Inc. and its consolidated subsidiaries. Any references to our website addresses do not constitute incorporation by reference of the information contained on the websites.

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. Our MD&A is presented in the following sections:

- Overview
- Business Strategy Update
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance-Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates
- New Accounting Pronouncements
- Safe Harbor Statement Under the Private Securities Litigation Reform Act

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, (including the information presented therein under *Risk Factors*), as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

Our purpose is to enrich the lives of consumers through technology, whether they connect with us online, visit our stores or invite us into their homes. We have operations in the U.S., Canada and Mexico. We have two reportable segments: Domestic and International. The Domestic segment is comprised of the operations in all states, districts and territories of the U.S. The International segment is comprised of all operations in Canada and Mexico.

Our fiscal year ends on the Saturday nearest the end of January. Our business, like that of many retailers, is seasonal. A large proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico.

Comparable Sales

Throughout this MD&A, we refer to comparable sales. In the first quarter of fiscal 2020, we refined our methodology for calculating comparable sales. It now reflects certain revenue streams previously excluded from the comparable sales calculation, such as credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable. The impact of adopting these changes is immaterial to all periods presented, and therefore prior-period comparable sales disclosures have not been restated. Our comparable sales calculation compares revenue from stores, websites and call centers operating for at least 14 full months, as well as revenue related to certain other comparable sales channels for a particular period to the corresponding period in the prior year. Relocated stores, as well as remodeled, expanded and downsized stores closed more than 14 days, are excluded from the comparable sales calculation until at least 14 full months after reopening. Acquisitions are included in the comparable sales calculation beginning with the first full quarter following the first anniversary of the date of the acquisition. The calculation of comparable sales excludes the impact of revenue from discontinued operations and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). On October 1, 2018, we acquired all outstanding shares of GreatCall, Inc. (“GreatCall”) and on May 9, 2019, we acquired all outstanding shares of Critical Signal Technologies, Inc. (“CST”). Consistent with our comparable sales policy, the results of GreatCall and CST are excluded from our comparable sales calculation for the periods presented. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

Non-GAAP Financial Measures

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), as well as certain adjusted or non-GAAP financial measures, such as constant currency, non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted earnings per share ("EPS") from continuing operations. We believe 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, our internal management reporting also includes non-GAAP financial measures. Generally, our non-GAAP financial 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 we believe doing so provides greater clarity to management and our investors. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP financial measures as presented herein may not be comparable to similarly titled measures used by other companies.

In our discussions of the operating results of our consolidated business and our International segment, we sometimes refer to the impact of changes in foreign currency exchange rates or the impact of foreign currency exchange rate fluctuations, which are references to the differences between the foreign currency exchange rates we use to convert the International segment's operating results from local currencies into U.S. dollars for reporting purposes. We also may use the term "constant currency," which represents results adjusted to exclude foreign currency impacts. We calculate those impacts as the difference between the current period results translated using the current period currency exchange rates and using the comparable prior period currency exchange rates. We believe the disclosure of revenue changes in constant currency provides useful supplementary information to investors in light of significant fluctuations in currency rates.

Refer to the *Consolidated Non-GAAP Financial Measures* section below for a detailed reconciliation of items that impacted our non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS from continuing operations in the presented periods.

Business Strategy Update

In the third quarter of fiscal 2020, we generated $9.8 billion in revenue and grew our Enterprise comparable sales by 1.7%, which is on top of 4.3% comparable sales growth in the third quarter of fiscal 2019. Our GAAP operating income rate increased by 60 basis points and our non-GAAP operating income rate increased by 70 basis points, both compared to the third quarter of fiscal 2019. We recorded GAAP diluted EPS of $1.10 and non-GAAP diluted EPS of $1.13, increases of 11% and 22% compared to the third quarter of fiscal 2019, respectively. Refer to the *Consolidated Non-GAAP Financial Measures* section below for a detailed reconciliation of items that impacted our non-GAAP operating income and non-GAAP diluted EPS. We also returned $499 million to our shareholders in the third quarter of fiscal 2020, and $1.1 billion year-to-date, through share repurchases and dividends.

We continue to make progress on our Building the New Blue strategy and our purpose to enrich lives through technology. Our strategy is to leverage our unique combination of tech and touch to meet every day human needs and build more and deeper relationships with customers. We believe our strategy will translate into an economic model that delivers results by better serving existing customers, capturing new demand, entering new spaces and building capabilities while maintaining profitability over time.

During the quarter, we completed our third acquisition in support of our health strategy, grew our Total Tech Support membership, added more In-Home Advisors and continued to transform our supply chain to improve our speed of delivery to customers. Earlier this year, we also made strategic changes to our field operations to accelerate growth and to create a more seamless customer experience across all channels including stores, home and online.

In addition to these accomplishments, we continued to drive efficiencies and reduce costs to help fund investments. We have now successfully delivered cost reduction and efficiency targets totaling more than $2 billion over the last seven years. During the third quarter, we made progress against the new target we shared at our Investor Update meeting in September 2019 of $1 billion in cost reductions and efficiencies over the next five years.

Tariffs

We continue to actively address the risks related to increases to current tariff rates and proposed new tariffs on Chinese imports. In May 2019, the U.S. Trade Representative ("USTR") increased the tariff on List 3 products imported from China from 10% to 25%, effective June 15, 2019, and has further increased this rate to 30%, but the effective date of this increase has not yet been determined. The USTR has also implemented a List 4 tariff of 15% on additional products imported from China. The List 4 tariffs have two effective dates. The first effective date (List 4A) was September 1, 2019, and the most notable affected categories relative to Best Buy on this list are televisions, smart watches and headphones. The second effective date (List 4B) is December 15, 2019, and the most notable affected categories relative to Best Buy on this list are computing, mobile phones and gaming consoles.

Through the third quarter of fiscal 2020, we have been able to minimize the impact of tariffs on our business by accelerating purchases and working with our vendors, some of which are in the process of migrating their manufacturing out of China. While we are taking additional actions to mitigate the impact of tariffs, the uncertainty of ongoing U.S.-China trade negotiations makes it difficult to predict the impact of tariffs on consumers, the financial markets and our business and results of operations. Examples of actions we have taken to mitigate the impact of tariffs include factoring tariffs into our product assortment decisions, promotional and pricing strategies, sourcing changes and other strategies in partnership with our vendors.

Results of Operations

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one-month lag. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a lag. Our policy is to accelerate the recording of events occurring in the lag period that significantly affect our consolidated financial statements. No such events were identified for the periods presented.

Consolidated Performance Summary

Selected consolidated financial data was as follows ($ in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Revenue	$ 9,764	$ 9,590	$ 28,442	$ 28,078
Revenue % increase	1.8 %	2.9 %	1.3 %	4.8 %
Comparable sales growth	1.7 %	4.3 %	1.5 %	5.8 %
Gross profit	$ 2,361	$ 2,324	$ 6,813	$ 6,678
Gross profit as a % of revenue(1)	24.2 %	24.2 %	24.0 %	23.8 %
SG&A	$ 1,973	$ 2,002	$ 5,730	$ 5,709
SG&A as a % of revenue(1)	20.2 %	20.9 %	20.1 %	20.3 %
Restructuring charges	$ (7)	$ -	$ 41	$ 47
Operating income	$ 395	$ 322	$ 1,042	$ 922
Operating income as a % of revenue	4.0 %	3.4 %	3.7 %	3.3 %
Net earnings	$ 293	$ 277	$ 796	$ 729
Diluted earnings per share	$ 1.10	$ 0.99	$ 2.96	$ 2.57

(1) Because retailers vary in how they record costs of operating their supply chain between cost of goods sold and SG&A, our gross profit rate and SG&A rate may not be comparable to other retailers' corresponding rates. For additional information regarding costs classified in cost of goods sold and SG&A, refer to Note 1, *Summary of Significant Accounting Policies*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

Gross profit rate, SG&A rate and operating income rate changes in the third quarter and first nine months of fiscal 2020 were primarily driven by our Domestic segment. For further discussion of each segment's rate changes, see the *Segment Performance Summary* below.

Income Tax Expense

Income tax expense increased to $96 million in the third quarter of fiscal 2020, compared to $53 million in the third quarter of fiscal 2019. Our effective income tax rate ("ETR") in the third quarter of fiscal 2020 was 24.8% compared to a rate of 16.1% in the third quarter of fiscal 2019. The increases in tax expense and the ETR are primarily due to the impact of adjustments made in the third quarter of fiscal 2019 to the provisional expense recorded during the fourth quarter of fiscal 2018 related to the deemed repatriation tax and the revaluation of deferred tax assets in connection with the Tax Cuts and Jobs Act ("Tax Act"), as well as an increase in pre-tax earnings in the current year period.

Income tax expense increased to $230 million in the first nine months of fiscal 2020, compared to $187 million in the prior year period. Our ETR in the first nine months of fiscal 2020 was 22.5% compared to a rate of 20.4% in the first nine months of fiscal 2019. The increases in tax expense and the ETR are primarily due to the impact of the Tax Act recorded in the prior year period described above, as well as an increase in pre-tax earnings in the current year period, partially offset by increased tax benefits related to stock-based compensation in the current year period.

Our tax provision for interim periods is determined using an estimate of our annual ETR, adjusted for discrete items, if any, that are taken into account in the relevant period. We update our estimate of the annual ETR each quarter and we make a cumulative adjustment if our estimated tax rate changes. Our quarterly tax provision and our quarterly estimate of our annual ETR are subject to variation due to several factors, including our ability to accurately forecast our pre-tax and taxable income and loss by jurisdiction, tax audit developments, recognition of excess tax benefits or deficiencies related to stock-based compensation, foreign currency gains (losses), changes in laws or regulations, and expenses or losses for which tax benefits are not recognized. Our ETR can be more or less volatile based on the amount of pre-tax earnings. For example, the impact of discrete items and non-deductible losses on our ETR is greater when our pre-tax earnings are lower.

Segment Performance Summary

Domestic

Selected financial data for the Domestic segment was as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	**November 3, 2018**	**November 2, 2019**	**November 3, 2018**
Revenue	$ 8,964	$ 8,756	$ 26,266	$ 25,807
Revenue % increase	2.4 %	3.1 %	1.8 %	4.6 %
Comparable sales growth[1]	2.0 %	4.3 %	1.8 %	5.8 %
Gross profit	$ 2,181	$ 2,139	$ 6,303	$ 6,159
Gross profit as a % of revenue	24.3 %	24.4 %	24.0 %	23.9 %
SG&A	$ 1,800	$ 1,824	$ 5,233	$ 5,201
SG&A as a % of revenue	20.1 %	20.8 %	19.9 %	20.2 %
Restructuring charges	$ (7)	$ -	$ 41	$ 47
Operating income	$ 388	$ 315	$ 1,029	$ 911
Operating income as a % of revenue	4.3 %	3.6 %	3.9 %	3.5 %
Selected Online Revenue Data				
Total online revenue	$ 1,397	$ 1,214	$ 4,122	$ 3,565
Online revenue as a % of total segment revenue	15.6 %	13.9 %	15.7 %	13.8 %
Comparable online sales growth[1]	15.0 %	12.6 %	15.6 %	11.5 %

(1) Comparable online sales are included in the comparable sales calculation.

The increases in revenue in the third quarter and first nine months of fiscal 2020 were primarily driven by the comparable sales growth of 2.0% and 1.8%, respectively, and revenue from GreatCall, which was acquired in the third quarter of fiscal 2019. These increases were partially offset by the loss of revenue from store closures. Online revenue of $1.4 billion and $4.1 billion in the third quarter and first nine months of fiscal 2020, respectively, increased 15.0% and 15.6%, respectively, on a comparable basis, primarily due to higher average order values and increased traffic.

The following table reconciles the number of Domestic stores open at the beginning and end of the third quarters of fiscal 2020 and fiscal 2019:

	Fiscal 2020				Fiscal 2019			
	Total Stores at Beginning of Third Quarter	**Stores Opened**	**Stores Closed**	**Total Stores at End of Third Quarter**	**Total Stores at Beginning of Third Quarter**	**Stores Opened**	**Stores Closed**	**Total Stores at End of Third Quarter**
Best Buy	995	-	(17)	978	1,007	1	(11)	997
Outlet Centers	11	2	-	13	7	-	-	7
Pacific Sales	21	-	-	21	28	-	(1)	27
Total Domestic segment stores	1,027	2	(17)	1,012	1,042	1	(12)	1,031

We continuously monitor store performance. As we approach the expiration date of our store leases, we evaluate various options for each location, including whether a store should remain open.

Domestic segment revenue mix percentages and comparable sales percentage changes by revenue category were as follows:

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Computing and Mobile Phones	47 %	47 %	3.0 %	3.1 %
Consumer Electronics	30 %	31 %	0.0 %	3.7 %
Appliances	12 %	11 %	12.5 %	8.4 %
Entertainment	5 %	6 %	(20.8)%	12.4 %
Services	6 %	5 %	12.9 %	1.9 %
Total	100 %	100 %	2.0 %	4.3 %

The following is a description of the notable comparable sales changes in our Domestic segment by revenue category:

- **Computing and Mobile Phones:** The 3.0% comparable sales gain was driven primarily by tablets, computing and mobile phones.
- **Consumer Electronics:** The comparable sales change was flat driven primarily by gains in headphones, offset by declines in home theater.
- **Appliances:** The 12.5% comparable sales gain was driven by both large and small appliances.
- **Entertainment:** The 20.8% comparable sales decline was driven primarily by gaming.
- **Services:** The 12.9% comparable sales gain was driven primarily by growth in our support business.

Our gross profit rate decreased in the third quarter of fiscal 2020, primarily driven by mix into lower-margin products, partially offset by the higher gross profit rate of GreatCall. During the first nine months of fiscal 2020, our gross profit rate increased, primarily driven by the higher gross profit rate of GreatCall, partially offset by higher supply chain costs.

Our SG&A rate decreased in the third quarter and first nine months of fiscal 2020, primarily driven by lower incentive compensation and strong expense management, partially offset by GreatCall expenses.

Restructuring charges for the third quarter and first nine months of fiscal 2020 related to our U.S. retail operating model changes. Restructuring charges for the first nine months of fiscal 2019 related to our Best Buy Mobile stand-alone store closures. Refer to Note 9, *Restructuring Charges,* in the Notes to Condensed Consolidated Financial Statements for additional information.

Our operating income rate increased in the third quarter of fiscal 2020, primarily driven by the decrease in SG&A rate described above. During the first nine months of fiscal 2020, our operating income rate increased, primarily driven by the increase in gross profit rate and decrease in SG&A rate described above.

International

Selected financial data for the International segment was as follows ($ in millions):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Revenue	$ 800	$ 834	$ 2,176	$ 2,271
Revenue % change	(4.1)%	0.6%	(4.2)%	7.5%
Comparable sales % change	(1.9)%	3.7%	(1.7)%	5.8%
Gross profit	$ 180	$ 185	$ 510	$ 519
Gross profit as a % of revenue	22.5%	22.2%	23.4%	22.9%
SG&A	$ 173	$ 178	$ 497	$ 508
SG&A as a % of revenue	21.6%	21.3%	22.8%	22.4%
Operating income	$ 7	$ 7	$ 13	$ 11
Operating income as a % of revenue	0.9%	0.8 %	0.6%	0.5%

The decreases in revenue in the third quarter and first nine months of fiscal 2020 were primarily driven by the comparable sales declines of 1.9% and 1.7%, respectively, and the negative impact of foreign currency exchange rate fluctuations, both primarily related to our Canadian operations.

The following table reconciles the number of International stores open at the beginning and end of the third quarters of fiscal 2020 and fiscal 2019:

	Fiscal 2020				Fiscal 2019			
	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter
Canada								
Best Buy	132	-	(1)	131	134	-	-	134
Best Buy Mobile	43	-	-	43	49	-	(2)	47
Mexico								
Best Buy	30	4	-	34	28	1	-	29
Best Buy Express	9	1	-	10	6	-	-	6
Total International segment stores	214	5	(1)	218	217	1	(2)	216

International segment revenue mix percentages and comparable sales percentage changes by revenue category were as follows:

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Computing and Mobile Phones	51 %	51 %	(0.3)%	2.0 %
Consumer Electronics	29 %	26 %	1.2 %	(0.6)%
Appliances	8 %	8 %	(1.5)%	11.7 %
Entertainment	5 %	7 %	(31.1)%	10.8 %
Services	6 %	6 %	11.5 %	15.0 %
Other	1 %	2 %	(28.2)%	43.8 %
Total	100 %	100 %	(1.9)%	3.7 %

The following is a description of the notable comparable sales changes in our International segment by revenue category:

- **Computing and Mobile Phones:** The 0.3% comparable sales decline was driven primarily by networking, computing and mobile phones, partially offset by gains in tablets.
- **Consumer Electronics:** The 1.2% comparable sales gain was driven primarily by headphones and health and fitness, partially offset by declines in home theater and digital imaging.
- **Appliances:** The 1.5% comparable sales decline was driven by large appliances, partially offset by gains in small appliances.
- **Entertainment:** The 31.1% comparable sales decline was driven primarily by gaming and drones.
- **Services:** The 11.5% comparable sales gain was driven primarily by repair and warranty services.
- **Other:** The 28.2% comparable sales decline was driven primarily by baby products and luggage.

Our gross profit rate increased in the third quarter and first nine months of fiscal 2020, primarily due to increased revenue in the higher margin services category in Canada.

Our SG&A rate increased in the third quarter and first nine months of fiscal 2020, primarily due to sales de-leverage, as SG&A decreased $5 million and $11 million, respectively, due to the favorable impact of foreign currency exchange rates related primarily to Canada.

Our operating income rate increased in the third quarter and first nine months of fiscal 2020, primarily driven by higher gross profit rates, partially offset by higher SG&A rates described above.

Consolidated Non-GAAP Financial Measures

The following table reconciles consolidated operating income, effective tax rate and diluted EPS for the periods presented (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS (non-GAAP financial measures) ($ in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Operating income	$ 395	$ 322	$ 1,042	$ 922
Restructuring charges[1]	(7)	-	41	47
Intangible asset amortization[2]	18	5	53	5
Acquisition-related transaction costs[2]	-	13	3	13
Tax reform related item - employee bonus[3]	-	-	-	7
Non-GAAP operating income	$ 406	$ 340	$ 1,139	$ 994
Effective tax rate	24.8 %	16.1 %	22.5 %	20.4 %
Restructuring charges[1]	(0.1)%	-%	-%	0.1 %
Intangible asset amortization[2]	0.1 %	(0.3)%	0.1 %	-%
Acquisition-related transaction costs[2]	-%	(0.6)%	-%	-%
Tax reform - repatriation tax[3]	-%	5.4 %	-%	1.9 %
Tax reform - deferred tax rate change[3]	-%	1.5 %	-%	0.5 %
(Gain) loss on investments, net	-%	0.6 %	-%	-%
Non-GAAP effective tax rate	24.8 %	22.7 %	22.6 %	22.9 %
Diluted EPS	$ 1.10	$ 0.99	$ 2.96	$ 2.57
Restructuring charges[1]	(0.03)	-	0.15	0.17
Intangible asset amortization[2]	0.07	0.02	0.20	0.02
Acquisition-related transaction costs[2]	-	0.04	0.01	0.04
Tax reform - repatriation tax[3]	-	(0.06)	-	(0.06)
Tax reform - deferred tax rate change[3]	-	(0.02)	-	(0.02)
Tax reform related item - employee bonus[3]	-	-	-	0.02
(Gain) loss on investments, net	-	(0.04)	-	(0.04)
Tax impact of non-GAAP adjustments[4]	(0.01)	-	(0.09)	(0.05)
Non-GAAP diluted EPS	$ 1.13	$ 0.93	$ 3.23	$ 2.65

(1) Represents charges associated with U.S. retail operating model changes and the closure of Best Buy Mobile stand-alone stores in the U.S. Refer to Note 9, *Restructuring Charges*, in the Notes to Condensed Consolidated Financial Statements for additional information.

(2) Represents charges associated with acquisitions, including (1) the non-cash amortization of definite-lived intangible assets, including customer relationships, tradenames and developed technology, and (2) acquisition-related transaction costs primarily comprised of professional fees. Refer to Note 2, *Acquisitions*, and Note 5, *Goodwill and Intangible Assets*, in the Notes to Condensed Consolidated Financial Statements for additional information.

(3) Represents adjustments to the provisional tax expense recorded in the fourth quarter of fiscal 2018 resulting from the Tax Act, including adjustments associated with a deemed repatriation tax and the revaluation of deferred tax assets and liabilities, as well as adjustments to Tax Act-related items announced in response to future tax savings created by the Tax Act, including a one-time bonus for certain employees.

(4) 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. of 24.5% for all periods presented.

Non-GAAP operating income increased in the third quarter and first nine months of fiscal 2020, primarily driven by decreases in SG&A from lower incentive compensation and strong expense management.

Our non-GAAP effective tax rate increased in the third quarter of fiscal 2020, primarily due to the resolution of certain discrete tax matters in the prior year period. During the first nine months of fiscal 2020, our non-GAAP effective tax rate decreased primarily due to increased tax benefits related to stock-based compensation in the current year period.

Non-GAAP diluted EPS increased in the third quarter and first nine months of fiscal 2020, primarily driven by increases in non-GAAP operating income and lower diluted weighted-average common shares outstanding from share repurchases. Refer to the *Share Repurchases and Dividends* section below for additional information.

Liquidity and Capital Resources

Summary

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment required to support our business strategies, the performance of our business, capital expenditures, credit facilities, short-term borrowing arrangements and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital management strategy which, to a large extent, we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation, which focuses on investing in key priorities that support our strategy.

Cash, cash equivalents and short-term investments were as follows ($ in millions):

	November 2, 2019	February 2, 2019	November 3, 2018
Cash and cash equivalents	$ 1,205	$ 1,980	$ 1,228
Short-term investments	-	-	76
Total cash, cash equivalents and short-term investments	$ 1,205	$ 1,980	$ 1,304

The decreases from prior periods were primarily due to share repurchases and acquisitions.

Cash Flows

Cash flows from total operations were as follows ($ in millions):

	Nine Months Ended	
	November 2, 2019	November 3, 2018
Total cash provided by (used in):		
Operating activities	$ 937	$ 1,107
Investing activities	(727)	574
Financing activities	(1,060)	(1,526)
Effect of exchange rate changes on cash	(2)	(16)
Increase (decrease) in cash, cash equivalents and restricted cash	$ (852)	$ 139

Operating Activities

The decrease in cash provided by operating activities in fiscal 2020 was primarily due to changes in working capital, which were primarily due to timing of receipts and payments for inventory and collections of receivables. This was partially offset by lower incentive compensation payments due to a special one-time incentive payment in fiscal 2019 and the timing of indirect tax payments.

Investing Activities

The increase in cash used in investing activities in fiscal 2020 was primarily due to decreases in sales and increases in purchases of investments, partially offset by a decrease in cash used to fund acquisitions. Refer to Note 2, *Acquisitions*, of the Notes to Condensed Consolidated Financial Statements for additional information.

Financing Activities

The decrease in cash used in financing activities in fiscal 2020 was primarily due to a decrease in shares repurchased during fiscal 2020. Refer to Note 11, *Repurchase of Common Stock*, of the Notes to Condensed Consolidated Financial Statements for additional information.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, short-term investments, our credit facilities and other debt arrangements are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures, share repurchases, dividends and strategic initiatives, including business combinations. However, in the event our liquidity is insufficient, we may be required to limit our spending. There can be no assurance that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our existing credit facilities or obtain additional financing, if necessary, on favorable terms.

We have a $1.25 billion five year senior unsecured revolving credit facility (the “facility”) with a syndicate of banks that expires in April 2023. Refer to Note 6, *Debt*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for additional information. There have been no borrowings under the facility.

Our ability to access the facility is subject to our compliance with its terms and conditions, including financial covenants. The financial covenants require us to maintain certain financial ratios. At November 2, 2019, we were in compliance with all financial covenants. If an event of default were to occur with respect to any of our other debt, it would likely constitute an event of default under our facility as well.

Our credit ratings and outlook as of December 4, 2019, are summarized below. On October 30, 2019, Fitch affirmed its BBB rating and withdrew all future ratings for commercial reasons. On November 20, 2019, Moody’s placed its current rating of Baa1 on Review for Upgrade and changed its outlook to Rating Under Review from Positive.

Rating Agency	Rating	Outlook
Standard & Poor's	BBB	Stable
Moody's	Baa1	Rating Under Review

Credit rating agencies review their ratings periodically, and, therefore, the credit rating assigned to us by each agency may be subject to revision at any time. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the retail and consumer electronics industries, our financial position and changes in our business strategy. If further changes in our credit ratings were to occur, they could impact, among other things, interest costs for certain of our credit facilities, our future borrowing costs, access to capital markets, vendor financing terms and future new-store leasing costs.

Restricted Cash

Our liquidity is also affected by restricted cash balances that are pledged as collateral or restricted to use for workers’ compensation and general liability insurance claims. Restricted cash, which is included in Other current assets on our Condensed Consolidated Balance Sheets, was $127 million, $204 million, and $211 million at November 2, 2019, February 2, 2019, and November 3, 2018, respectively. The decreases from prior periods were due to a dividend of excess cash from our wholly-owned insurance captive that manages a portion of our self-insured claims.

Debt and Capital

As of November 2, 2019, we had $650 million principal amount of notes due March 15, 2021, and $500 million principal amount of notes due October 1, 2028, outstanding. Refer to Note 6, *Debt*, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for further information about our outstanding notes.

Share Repurchases and Dividends

We repurchase our common stock and pay dividends pursuant to programs approved by our Board of Directors ("Board"). The payment of cash dividends is also subject to customary legal and contractual restrictions. Our long-term capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through dividends and share repurchases while maintaining investment grade credit metrics.

On February 23, 2019, our Board authorized a $3.0 billion share repurchase program. As of November 2, 2019, $2.3 billion of the $3.0 billion share repurchase authorization was available. Between the end of the third quarter of fiscal 2020 on November 2, 2019, and December 4, 2019, we repurchased an incremental 1.4 million shares of our common stock at a cost of $108 million.

Share repurchase activity was as follows ($ and shares in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Total cost of shares repurchased	$ 371	$ 369	$ 707	$ 1,143
Average price per share	$ 67.28	$ 76.04	$ 68.56	$ 74.10
Number of shares repurchased	5.5	4.8	10.3	15.4

Dividend activity was as follows ($ in millions, except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 2, 2019	November 3, 2018	November 2, 2019	November 3, 2018
Regular quarterly cash dividends per share	$ 0.50	$ 0.45	$ 1.50	$ 1.35
Cash dividends declared and paid	$ 131	$ 123	$ 398	$ 376

The increases in cash dividends declared and paid from prior periods were the result of increases in the regular quarterly dividend rate, partially offset by fewer shares due to the return of capital to shareholders through share repurchases.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 1.0 as of November 2, 2019, 1.2 as of February 2, 2019, and 1.1 as of November 3, 2018. While the ratio at November 2, 2019, remained relatively unchanged compared to November 3, 2018, the decrease from February 2, 2019, was primarily due to share repurchases and the adoption of new lease accounting guidance in the first quarter of fiscal 2020, which brought additional current liabilities onto the balance sheet. See Note 1, *Basis of Presentation*, and Note 4, *Leases*, of the Notes to Condensed Consolidated Financial Statements for additional information.

Our debt to earnings ratio, calculated as total debt (including current portion) divided by net earnings from continuing operations over the trailing twelve months, was 0.8 as of November 2, 2019, 0.9 as of February 2, 2019, and 1.2 as of November 3, 2018. While the ratio at November 2, 2019, remained relatively unchanged from February 2, 2019, the decline from November 3, 2018, was primarily due to higher earnings over the past twelve months primarily driven by a decrease in tax expense associated with the Tax Act.

Off-Balance-Sheet Arrangements and Contractual Obligations

Our liquidity is not dependent on the use of off-balance-sheet financing arrangements other than in connection with our $1.25 billion in undrawn capacity on our credit facility as of November 2, 2019, which, if drawn upon, would be included as short-term debt on our Condensed Consolidated Balance Sheets.

Other than the changes related to the adoption of the new lease accounting standard as described in Note 4, *Leases*, in the Notes to Condensed Consolidated Financial Statements, there has been no material change in our contractual obligations other than in the ordinary course of business since the end of fiscal 2019. See our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for additional information regarding our off-balance-sheet arrangements and contractual obligations.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. We discuss our critical accounting estimates in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019. In the first quarter of fiscal 2020, we adopted new lease accounting guidance, as described in Note 1, *Basis of Presentation*, and Note 4, *Leases*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q. There have been no other significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2019.

New Accounting Pronouncements

For a description of new applicable accounting pronouncements, see Note 1, *Basis of Presentation*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as "anticipate," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project" and other words and terms of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, new strategies, the competitive environment and other events. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: competition (including from multi-channel retailers, e-commerce business, technology service providers, traditional store-based retailers, vendors and mobile network carriers), our mix of products and services, our expansion strategies, our focus on services as a strategic priority, our reliance on key vendors and mobile network carriers (including product availability), pricing investments and promotional activity, our ability to attract and retain qualified employees, changes in market compensation rates, risks arising from statutory, regulatory and legal developments (including tax statutes and regulations), macroeconomic pressures in the markets in which we operate (including fluctuations in housing prices, energy markets and jobless rates), conditions in the industries and categories in which we operate, failure to effectively manage our costs, our reliance on our information technology systems, our ability to prevent or effectively respond to a privacy or security breach, our ability to effectively manage strategic ventures, alliances or acquisitions, our dependence on cash flows and net earnings generated during the fourth fiscal quarter, susceptibility of our products to technological advancements, product life cycles and launches, changes in consumer preferences, spending and debt, our ability to provide attractive promotional financing, interruptions and other supply chain issues, catastrophic events, our ability to maintain positive brand perception and recognition, product safety and quality concerns, changes to labor or employment laws or regulations, our ability to effectively manage our real estate portfolio, constraints in the capital markets, changes to our vendor credit terms, changes in our credit ratings, any material disruption in our relationship with or the services of third-party vendors, risks related to our exclusive brand products and risks associated with vendors that source products outside of the U.S., trade restrictions or changes in the costs of imports (including existing or new tariffs or duties and changes in the amount of any such tariffs or duties) and risks arising from our international activities. We caution that the foregoing list of important factors is not complete. Any forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statement that we may make.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As disclosed in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, in addition to the risks inherent in our operations, we are exposed to certain market risks.

Interest Rate Risk

We are exposed to changes in short-term market interest rates and these changes in rates will impact our net interest expense. Our cash, cash equivalents and short-term investments generate interest income that will vary based on changes in short-term interest rates. In addition, we have swapped our fixed-rate debt to floating-rate such that the interest rate expense on this debt will vary with short-term interest rates. Refer to Note 6, *Debt,* and Note 5, *Derivative Instruments,* in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019, for further information regarding our interest rate swaps.

As of November 2, 2019, we had $1.20 billion of cash and cash equivalents and $1.15 billion of debt that has been swapped to floating rate, and therefore the net balance exposed to interest rate changes is not significant.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to our International segment operations. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecast inventory purchases, recognized receivable and payable balances and our investment in our Canadian operations. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows, as well as net asset value associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes both hedging instruments and derivatives that are not designated as hedging instruments, which generally have terms of up to 12 months. Refer to Note 6, *Derivative Instruments*, in the Notes to Condensed Consolidated Financial Statements for additional information regarding these instruments.

Foreign currency exchange rate fluctuations were primarily driven by the strength of the U.S. dollar compared to the Canadian dollar compared to the prior-year period, which had a negative overall impact on our revenue as these foreign currencies translated into less U.S. dollars. We estimate that foreign currency exchange rate fluctuations had a net unfavorable impact of $13 million and $50 million on our revenue for the third quarter and first nine months of fiscal 2020, respectively. The impact of foreign exchange rate fluctuations on our net earnings for the third quarter and first nine months of fiscal 2020 was not significant.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. The Disclosure Committee meets on a regular quarterly basis and otherwise as needed.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at November 2, 2019. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at November 2, 2019, our disclosure controls and procedures were effective.

There were no changes in internal control over financial reporting during the fiscal quarter ended November 2, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For information about our legal proceedings, see Note 14, *Contingencies*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Stock Repurchases

The following table presents information regarding our repurchases of common stock during the third quarter of fiscal 2020:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(1)
August 4, 2019 through August 31, 2019	1,437,203	$ 66.13	1,437,203	$ 2,569,000
September 1, 2019 through October 5, 2019	2,586,686	$ 66.20	2,586,686	$ 2,398,000
October 6, 2019 through November 2, 2019	1,489,539	$ 70.26	1,489,539	$ 2,293,000
Total	5,513,428	$ 67.28	5,513,428	$ 2,293,000

(1) Pursuant to a $3.0 billion share repurchase program that was authorized by our Board in February 2019. There is no expiration date governing the period over which we can repurchase shares under the February 2019 share repurchase program. For additional information, see Note 11, *Repurchase of Common Stock*, in the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 6. Exhibits

3.1	Restated Articles of Incorporation (incorporated herein by reference to the Definitive Proxy Statement filed by Best Buy Co., Inc. on May 12, 2009)
3.2	Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on June 14, 2018)
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[(1)]
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[(1)]
101	The following financial information from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2020, filed with the SEC on December 6, 2019, formatted in Inline Extensible Business Reporting Language ("iXBRL"): (i) the Condensed Consolidated Balance Sheets at November 2, 2019, February 2, 2019, and November 3, 2018, (ii) the Condensed Consolidated Statements of Earnings for the three and nine months ended November 2, 2019, and November 3, 2018, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended November 2, 2019, and November 3, 2018, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended November 2, 2019, and November 3, 2018, (v) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and nine months ended November 2, 2019, and November 3, 2018, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2020, filed with the SEC on December 6, 2019, formatted in iXBRL (included as Exhibit 101).

(1) The certifications in Exhibit 32.1 and Exhibit 32.2 to this Quarterly Report on Form 10-Q shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

Pursuant to Item 601(b)(4)(iii) of Regulation S-K under the Securities Act of 1933, as amended, the registrant has not filed as exhibits to this Quarterly Report on Form 10-Q certain instruments with respect to long-term debt under which the amount of securities authorized does not exceed 10% of the total assets of the registrant. The registrant hereby agrees to furnish copies of all such instruments to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		BEST BUY CO., INC. (Registrant)
Date: December 6, 2019	By:	/s/ CORIE BARRY Corie Barry *Chief Executive Officer*
Date: December 6, 2019	By:	/s/ MATTHEW BILUNAS Matthew Bilunas *Chief Financial Officer*
Date: December 6, 2019	By:	/s/ MATHEW R. WATSON Mathew R. Watson *Senior Vice President, Finance – Controller and Chief Accounting Officer*

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Corie Barry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2019

/s/ CORIE BARRY

Corie Barry
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew Bilunas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2019

/s/ MATTHEW BILUNAS
Matthew Bilunas
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chairman and Chief Executive Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 2, 2019 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: December 6, 2019

/s/ CORIE BARRY
Corie Barry
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of Best Buy Co., Inc. (the “Company”), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended November 2, 2019 (the “Report”), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: December 6, 2019

/s/ MATTHEW BILUNAS

Matthew Bilunas
Chief Financial Officer