

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

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

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

	Three Months Ended January 30, 2021			Three Months Ended February 1, 2020		
	Domestic	International	Consolidated	Domestic	International	Consolidated
Gross profit	\$ 3,211	\$ 332	\$ 3,543	\$ 2,931	\$ 304	\$ 3,235
% of revenue	20.9 %	21.6 %	20.9 %	21.2 %	22.6 %	21.3 %
Restructuring - inventory markdowns ¹	-	(13)	(13)	-	-	-
Price-fixing settlement ²	(21)	-	(21)	-	-	-
Non-GAAP gross profit	\$ 3,190	\$ 319	\$ 3,509	\$ 2,931	\$ 304	\$ 3,235
% of revenue	20.7 %	20.8 %	20.7 %	21.2 %	22.6 %	21.3 %
SG&A	\$ 2,152	\$ 216	\$ 2,368	\$ 2,053	\$ 215	\$ 2,268
% of revenue	14.0 %	14.1 %	14.0 %	14.8 %	15.9 %	14.9 %
Intangible asset amortization ³	(20)	-	(20)	(19)	-	(19)
Non-GAAP SG&A	\$ 2,132	\$ 216	\$ 2,348	\$ 2,034	\$ 215	\$ 2,249
% of revenue	13.8 %	14.1 %	13.9 %	14.7 %	15.9 %	14.8 %
Operating income	\$ 971	\$ 62	\$ 1,033	\$ 878	\$ 89	\$ 967
% of revenue	6.3 %	4.0 %	6.1 %	6.3 %	6.6 %	6.4 %
Restructuring - inventory markdowns ¹	-	(13)	(13)	-	-	-
Price-fixing settlement ²	(21)	-	(21)	-	-	-
Intangible asset amortization ³	20	-	20	19	-	19
Restructuring charges ⁴	88	54	142	-	-	-
Non-GAAP operating income	\$ 1,058	\$ 103	\$ 1,161	\$ 897	\$ 89	\$ 986
% of revenue	6.9 %	6.7 %	6.9 %	6.5 %	6.6 %	6.5 %
Effective tax rate			21.6 %			22.9 %
Price-fixing settlement ²			0.2 %			-%
Intangible asset amortization ³			(0.1)%			-%
Restructuring charges ⁴			(0.8)%			-%
Gain on investments, net			0.1 %			-%
Non-GAAP effective tax rate			21.0 %			22.9 %

	Three Months Ended January 30, 2021			Three Months Ended February 1, 2020		
	Pretax Earnings	Net of Tax ⁵	Per Share	Pretax Earnings	Net of Tax ⁵	Per Share
GAAP diluted EPS			\$ 3.10			\$ 2.84
Restructuring - inventory markdowns ¹	\$ (13)	\$ (13)	(0.05)	\$ -	\$ -	-
Price-fixing settlement ²	(21)	(15)	(0.06)	-	-	-
Intangible asset amortization ³	20	15	0.06	19	14	0.06
Restructuring charges ⁴	142	121	0.46	-	-	-
Gain on investments, net	(12)	(9)	(0.03)	-	-	-
Non-GAAP diluted EPS			\$ 3.48			\$ 2.90

	Twelve Months Ended			Twelve Months Ended		
	January 30, 2021			February 1, 2020		
	Domestic	International	Consolidated	Domestic	International	Consolidated
Gross profit	\$ 9,720	\$ 853	\$ 10,573	\$ 9,234	\$ 814	\$ 10,048
% of revenue	22.5 %	21.5 %	22.4 %	23.0 %	23.1 %	23.0 %
Restructuring - inventory markdowns ¹	-	23	23	-	-	-
Price-fixing settlement ²	(21)	-	(21)	-	-	-
Non-GAAP gross profit	\$ 9,699	\$ 876	\$ 10,575	\$ 9,234	\$ 814	\$ 10,048
% of revenue	22.4 %	22.1 %	22.4 %	23.0 %	23.1 %	23.0 %
SG&A	\$ 7,239	\$ 689	\$ 7,928	\$ 7,286	\$ 712	\$ 7,998
% of revenue	16.7 %	17.4 %	16.8 %	18.2 %	20.2 %	18.3 %
Intangible asset amortization ³	(80)	-	(80)	(72)	-	(72)
Acquisition-related transaction costs ³	-	-	-	(3)	-	(3)
Non-GAAP SG&A	\$ 7,159	\$ 689	\$ 7,848	\$ 7,211	\$ 712	\$ 7,923
% of revenue	16.5 %	17.4 %	16.6 %	18.0 %	20.2 %	18.2 %
Operating income	\$ 2,348	\$ 43	\$ 2,391	\$ 1,907	\$ 102	\$ 2,009
% of revenue	5.4 %	1.1 %	5.1 %	4.8 %	2.9 %	4.6 %
Restructuring - inventory markdowns ¹	-	23	23	-	-	-
Price-fixing settlement ²	(21)	-	(21)	-	-	-
Intangible asset amortization ³	80	-	80	72	-	72
Restructuring charges ⁴	133	121	254	41	-	41
Acquisition-related transaction costs ³	-	-	-	3	-	3
Non-GAAP operating income	\$ 2,540	\$ 187	\$ 2,727	\$ 2,023	\$ 102	\$ 2,125
% of revenue	5.9 %	4.7 %	5.8 %	5.0 %	2.9 %	4.9 %
Effective tax rate			24.3 %			22.7 %
Price-fixing settlement ²			0.2 %			-%
Intangible asset amortization ³			(0.6)%			0.1 %
Restructuring charges ⁴			(1.0)%			-%
Gain on investments, net			0.1 %			-%
Non-GAAP effective tax rate			23.0 %			22.8 %

	Twelve Months Ended			Twelve Months Ended		
	January 30, 2021			February 1, 2020		
	Pretax Earnings	Net of Tax ⁵	Per Share	Pretax Earnings	Net of Tax ⁵	Per Share
GAAP diluted EPS			\$ 6.84			\$ 5.75
Restructuring - inventory markdowns ¹	\$ 23	\$ 23	0.09	\$ -	\$ -	-
Price-fixing settlement ²	(21)	(15)	(0.06)	-	-	-
Intangible asset amortization ³	80	60	0.23	72	54	0.20
Acquisition-related transaction costs ³	-	-	-	3	2	0.01
Restructuring charges ⁴	254	222	0.84	41	32	0.11
Gain on investments, net	(12)	(9)	(0.03)	(1)	(1)	-
Non-GAAP diluted EPS			\$ 7.91			\$ 6.07

- (1) Represents inventory markdowns recorded within cost of sales associated with the decision to exit operations in Mexico.
- (2) Represents a price-fixing litigation settlement received in relation to products purchased and sold in prior fiscal years.
- (3) 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.
- (4) Represents charges associated with actions taken to better align the company's organizational structure with its strategic focus and the decision to exit operations in Mexico for the periods ended January 30, 2021, and charges and subsequent adjustments associated with U.S. retail operating model changes for the periods ended February 1, 2020.
- (5) The non-GAAP adjustments primarily relate to the U.S. and Mexico. As such, the income tax charge is calculated using the statutory tax rate of 24.5% for all U.S. non-GAAP items for all periods presented. There is no income tax charge for Mexico non-GAAP items, as there was no tax benefit recognized on these expenses in the calculation of GAAP income tax expense.

Return on Assets and Non-GAAP Return on Investment

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

Return on Assets ("ROA")	January 30, 2021¹	February 1, 2020¹
Net earnings	\$ 1,798	\$ 1,541
Total assets	18,408	15,953
ROA	9.8 %	9.7 %
Non-GAAP Return on Investment ("ROI")	January 30, 2021¹	February 1, 2020¹
<u>Numerator</u>		
Operating income - total operations	\$ 2,391	\$ 2,009
Add: Non-GAAP operating income adjustments ²	336	116
Add: Operating lease interest ³	111	113
Less: Income taxes ⁴	(695)	(548)
Add: Depreciation	759	740
Add: Operating lease amortization ⁵	665	667
Adjusted operating income after tax	\$ 3,567	\$ 3,097
<u>Denominator</u>		
Total assets	\$ 18,408	\$ 15,953
Less: Excess cash ⁶	(4,071)	(831)
Add: Accumulated depreciation and amortization ⁷	7,114	6,712
Less: Adjusted current liabilities ⁸	(9,189)	(7,994)
Average invested operating assets	\$ 12,262	\$ 13,840
Non-GAAP ROI	29.1 %	22.4 %

- (1) Income statement accounts represent the activity for the trailing 12 months ended as of each of the balance sheet dates. Balance sheet accounts represent the average account balances for the trailing 12 months ended as of each of the balance sheet dates.
- (2) Non-GAAP operating income adjustments include continuing operations adjustments for restructuring charges, price-fixing settlements, intangible asset amortization and acquisition-related transaction costs. Additional details regarding these adjustments are included in the Reconciliation of Non-GAAP Financial Measures schedule within the company's quarterly earnings releases.
- (3) Operating lease interest represents the add-back to operating income to approximate the total interest expense that the company would incur if its operating leases were owned and financed by debt. The add-back is approximated by multiplying average operating lease assets by 4%, which approximates the interest rate on the company's operating lease liabilities.
- (4) Income taxes are approximated by using a blended statutory rate at the Enterprise level based on statutory rates from the countries in which the company does business, which primarily consists of the U.S. with a statutory rate of 24.5% for the periods presented.
- (5) Operating lease amortization represents operating lease cost less operating lease interest. Operating lease cost includes short-term leases, which are immaterial, and excludes variable lease costs as these costs are not included in the operating lease asset balance.
- (6) Excess cash represents the amount of cash, cash equivalents and short-term investments greater than \$1 billion, which approximates the amount of cash the company believes is necessary to run the business and may fluctuate over time.
- (7) Accumulated depreciation and amortization represents accumulated depreciation related to property and equipment and accumulated amortization related to definite-lived intangible assets.
- (8) Adjusted current liabilities represent total current liabilities less short-term debt and the current portions of operating lease liabilities and long-term debt.