

Bloomberg Intelligence

Best Buy Credit Research



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1. Best Buy Fully Charged for Bonds to Bounce Back: Credit Outlook

(Bloomberg Intelligence) -- THESIS: Best Buy's (A3/BBB+) discount vs. the curve of similarly rated retail bonds could compress toward peers given its strongest comparable sales in 15 quarters, an approaching replacement/upgrade cycle and the electronic retailer's robust credit profile. Even with tariff pressure, Best Buy's mitigation strategies and credit metrics well below downgrade triggers at Moody's and S&P provide an ample cushion to maintain credit ratings. (10/28/25)

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Credit Considerations

Credit Checklist

2. Best Buy Summoning Credit Strength to Face Macro Risks

Despite tariff pressure, Best Buy reporting its strongest comparable sales in three years in 2Q, its historically strong credit profile and the replacement/upgrade cycle positions it well against macro headwinds. The electronics retailer has about \$2.8 billion of liquidity, and funded debt is low at \$1.2 billion. Best Buy's 2Q 1.6% comparable sales growth was the highest in 15 quarters due to its omni-channel capabilities and innovation. The company maintains its fiscal year 2026 comparable sales guidance of a 1% decline to up 1%.

Best Buy is the largest consumer electronics specialty retailer operating in the US and Canada. Its next bond maturity is \$500 million in 2028. (10/28/25)

Best Buy Credit Checklist

Credit Drivers	Outlook	Outlook Trend	Weighting (%)
Earnings & Cash Flow	■	↑	20
Leverage & Financial Policies	■	↔	20
Competitive Landscape	■	↔	15
M&A	■	↔	10
Event Risk	■	↑	10
Stock Performance	■	↔	10
Debt Maturities	■	↔	15
Valuation	■	↑	N.A.

■ Unfavorable ■ Neutral ■ Favorable

Note: This reflects a qualitative analysis by a Bloomberg Intelligence Analyst and is as of the date of publication.

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Source: Bloomberg Intelligence

Credit Drivers

Best Buy Balance Sheet Intact as Sales, Profit Rebound From Lows

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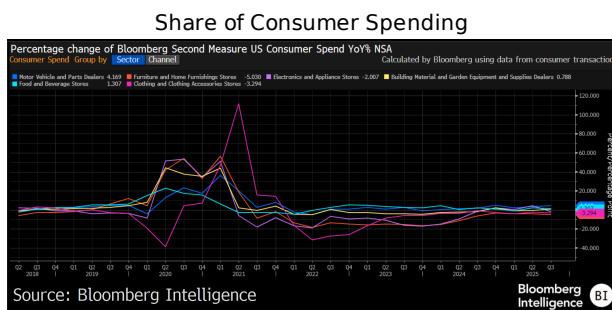
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Even amid tariff and consumer pressure, Best Buy's low leverage, solid liquidity and robust cash-flow generation support the company's credit profile. In 2Q, the company achieved its highest enterprise comparable sales growth in three years. Consensus anticipates healthy free cash flow of \$1.3 billion in fiscal 2026 and \$1.6 billion in FY27. (10/27/25)

3. Demand Buoyed by Replacement, Innovation

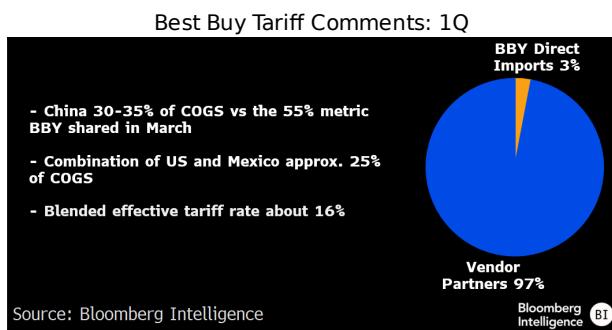
Consumer spending on technology has been perennially stable and peaked during the pandemic, and Best Buy can benefit from the replacement and upgrade cycle for gaming and computers purchased during Covid-19, as well as new innovations, to spur sales growth. Best Buy achieved enterprise comparable sales growth of 1.6% in 2Q -- the highest in 15 quarters -- as growth was driven by gaming, computing and mobile phones.

Best Buy will only make tariff-induced price increases where necessary as it remains committed to competitive pricing. Bloomberg Second Measure data in ECAN <GO> show year-over-year percentage changes for the electronics and appliance stores categories, among others. (10/27/25)



4. Mitigation Strategies Help Shield Best Buy From Tariffs

China is Best Buy's largest sourcing exposure, but now represents 30-35% of cost of goods sold (COGS), down from 55% the company disclosed in March. About half of China-sourced products are at 30% tariffs and half are at 20% tariffs. The US and Mexico combined represent about 25% of Best Buy's COGS and the company directly imports only 2-3% of what it sells. (10/27/25)



5. Best Buy's Low Leverage vs. Similarly Rated Peers

Best Buy maintains lower leverage vs. rating peers such as Tapestry, Dick's and Lowe's. Despite continued weakness in the consumer-electronics segment, we don't anticipate negative action for Best Buy's A3/BBB+ ratings with stable outlooks as liquidity is strong and leverage remains well below rater-downgrade triggers. Best Buy was upgraded by Moody's in February 2021 and most recently by S&P in May 2021.

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Moody's says its stable outlook and rating reflect the company's cushion to withstand "virtually any macroeconomic scenario," but a downgrade could occur if leverage exceeds 2x, retained cash flow-to-net debt falls below 35%, or Ebita-to-interest expense is below 7x. S&P's downgrade triggers include rater-adjusted leverage sustained above 2x. (10/27/25)

Click for Credit Metrics: BBY vs. Select Peers

Measures	BBY (BBB+/A3/WD)	TPR (BBB/Baa2/WD)	LW (BBB+/Baa1/WD)	DKS (BBB/Baa2/N.A.)
Profitability				
Sales 5Yr Avg. Growth	-0.33	7.41	1.18	10.52
Gross Margin	22.54	75.44	33.46	36.10
Operating Margin	2.49	5.92	12.35	10.83
EBITDA Margin	4.54	13.15	14.78	13.84
Return on Equity	26.72	9.76		37.37
Leverage & Coverage				
Total Debt / EBITDA	2.16	4.23	3.16	2.42
Net Debt / EBITDA	1.39	3.01	2.74	1.77
Total Debt to Total Capital	60.01	81.97	141.21	57.87
Total Debt to Total Equity	150.07	454.56		137.37
EBITDA / Interest	37.76		8.45	35.37

Source: S&P, Bloomberg Intelligence

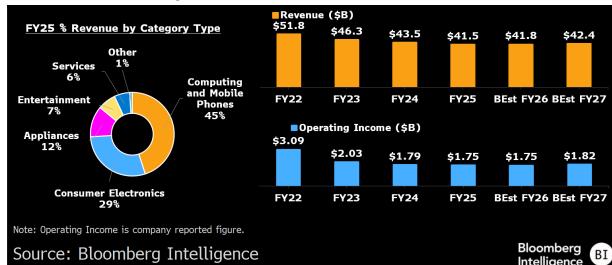
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6. Momentum Set to Restart Over the Next Two Years

Best Buy said customers are responding to product innovation and the replacement/upgrade cycle for computing and gaming hardware in its fiscal 2Q. The company is remaining prudent with guidance and expects comparable sales in FY26 of a 1% decline to up 1%, and an adjusted operating-income rate of 4.2%. Best Buy's guidance for the year includes revenue of \$41.1-\$41.9 billion.

The company's fiscal 2Q adjusted operating-income margin of 3.9% exceeded its guidance of 3.6%. Consensus expectations for FY26 free cash flow of \$1.3 billion is a slight drop from the \$1.4 billion in FY25, but could rebound to \$1.6 billion in FY27. (10/27/25)

Best Buy Revenue Breakdown, Estimates



Note: Operating Income is company reported figure.

Source: Bloomberg Intelligence

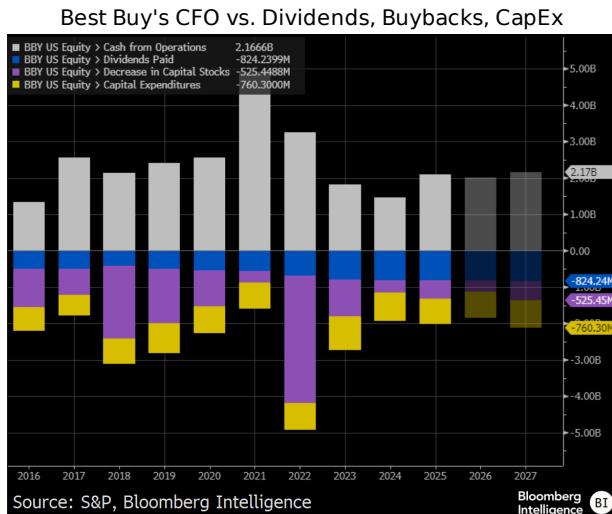
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7. Liquidity Ample, Nears \$2.8 Billion

Best Buy's prudent capital allocation anchors its credit profile and ratings, evidenced by its reduced cash use for share buybacks in fiscal 2024-25. With \$1.5 billion of cash as of 2Q, full availability under its \$1.25 billion revolving credit line and no bond maturities until 2028, Best Buy's liquidity is strong. Capital spending totaled \$706 million in FY25 and Best Buy expects this to be \$700 million this fiscal year. The company expects share repurchases of \$300 million in FY26, down from \$500 million in FY25.

Best Buy has historically maintained S&P adjusted leverage below 1x and generated average annual free operating cash flow above \$2 billion. In 2Q, the company recorded \$114 million of restructuring charges related to its FY26 Labor and Store Optimization Initiative. (10/27/25)

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Valuation

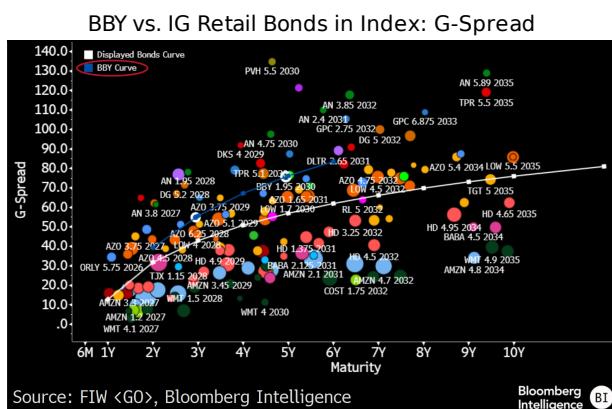
Best Buy Bonds Red Light Can Turn Green on Upgrade Cycle, Credit

Best Buy's bond curve trades at a discount to investment grade retail peers, a spread relationship that's compressed from a peak over the past few years. Despite macroeconomic headwinds, rebounding comparable sales growth, robust credit metrics and a tech replacement/upgrade cycle could push the bonds tighter over the medium term. (10/27/25)

8. Best Buy's Spread Discount Could Shrink

Best Buy's (A3/BBB+) bonds trade at a discount to retail peers in the Bloomberg Investment Grade Corporate Bond Index -- including Home Depot, Lowe's and Nike -- a trend that reflects uncertainty about tariffs and consumer spending. But with a replacement/upgrade cycle underway, solid credit metrics and improved comparable sales growth, spreads could begin to tighten in the medium term. Despite Lowe's larger scale, it leverage risk on M&A could leave room for relative value for Best Buy's bonds. Best Buy's 1.95% note due in 2030 trades about 19 bps wide to the curve of peers vs. the almost 50-bp discount we highlighted in October 2022.

Best Buy's 2030 bond is currently at a 12-bp discount to a similar note from Lowe's (Baa1/BBB+) but has traded at an almost 13-bp premium to the Lowe's notes in October 2023. (10/27/25)



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9. Best Buy's 2030 Bond-Spread Gap vs. Lowe's Narrows vs. Mean

(10/27/25)

BBY 2030 vs. LOW 2030: G-Spread (TRL1)



Earnings Review

Earnings Review

10. Best Buy Sales Gain Can Extend; Profit Solid: Earnings Outlook

Contributing Analysts Lindsay Dutch (REITs, Consumer Hardlines)

Post-3Q Earnings Outlook: Best Buy's fiscal 4Q same-store sales can surprise following 3Q's better-than-expected and 17-quarter high of 2.7% as demand for computing, gaming and phones appears set to extend through the holiday shopping season and home theater is showing signs of improvement. The outlook looks conservative, implying a three-quarter low of up to 1% growth, on tougher comparisons. Marketplace and a focus on marketing may aid in drawing shoppers and fueling transactions this holiday, while weak demand for appliances remains a downside risk.

Profit is proving better than anticipated through 3Q, even with tariffs and a value-focused consumer. Guidance for full-year adjusted operating margin is unchanged from three months ago and flat vs. fiscal 2025, a positive signal for expansion as early as next year. (11/25/25)

Highlights From Recent Results:

- Sales Climb Again in 3Q; Momentum Can Extend to 4Q
- Adjusted Operating Margin Solid Through 3Q
- Fiscal 2026 Guidance Raised With Better-Than-Anticipated 3Q Results
- Dividend Suggests Long-Term Growth Prospects Are Intact

Additional Resources:

- Earnings Release | NSN »

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