

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 July 29, 2023

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, a 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 Exchange Act). **Yes** **No** ☒

The registrant had 217,638,155 shares of common stock outstanding as of August 30, 2023.

BEST BUY CO., INC.
FORM 10-Q FOR THE QUARTER ENDED JULY 29, 2023

TABLE OF CONTENTS

Part I — Financial Information	3
Item 1. Financial Statements	3
a) Condensed Consolidated Balance Sheets as of July 29, 2023, January 28, 2023, and July 30, 2022	3
b) Condensed Consolidated Statements of Earnings for the three and six months ended July 29, 2023, and July 30, 2022	4
c) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 29, 2023, and July 30, 2022	5
d) Condensed Consolidated Statements of Cash Flows for the six months ended July 29, 2023, and July 30, 2022	6
e) Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended July 29, 2023, and July 30, 2022	7
f) Notes to Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures About Market Risk	24
Item 4. Controls and Procedures	24
Part II — Other Information	24
Item 1. Legal Proceedings	24
Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities	25
Item 5. Other Information	25
Item 6. Exhibits	25
Signatures	26

WEBSITE AND SOCIAL MEDIA DISCLOSURE

We disclose information to the public concerning Best Buy, Best Buy's products, content and services and other items through our websites in order to achieve broad, non-exclusionary distribution of information to the public. Some of the information distributed through this channel may be considered material information. Investors and others are encouraged to review the information we make public in the locations below.* This list may be updated from time to time.

- For information concerning Best Buy and its products, content and services, please visit: <https://bestbuy.com>.
- For information provided to the investment community, including news releases, events and presentations, and filings with the SEC, please visit: <https://investors.bestbuy.com>.
- For the latest information from Best Buy, including press releases, please visit: <https://corporate.bestbuy.com/archive/>.

*These corporate websites, and the contents thereof, are not incorporated by reference into this Quarterly Report on Form 10-Q nor deemed filed with the SEC.

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Balance Sheets
\$ in millions, except per share amounts (unaudited)

	July 29, 2023	January 28, 2023	July 30, 2022
Assets			
Current assets			
Cash and cash equivalents	\$ 1,093	\$ 1,874	\$ 840
Receivables, net	856	1,141	840
Merchandise inventories	5,651	5,140	6,043
Other current assets	704	647	621
Total current assets	8,304	8,802	8,344
Property and equipment, net	2,305	2,352	2,319
Operating lease assets	2,813	2,746	2,796
Goodwill	1,383	1,383	1,385
Other assets	513	520	575
Total assets	<u>\$ 15,318</u>	<u>\$ 15,803</u>	<u>\$ 15,419</u>
Liabilities and equity			
Current liabilities			
Accounts payable	\$ 5,471	\$ 5,687	\$ 5,406
Unredeemed gift card liabilities	250	274	273
Deferred revenue	996	1,116	1,133
Accrued compensation and related expenses	377	405	374
Accrued liabilities	709	843	820
Current portion of operating lease liabilities	615	638	629
Current portion of long-term debt	15	16	15
Total current liabilities	8,433	8,979	8,650
Long-term operating lease liabilities	2,254	2,164	2,221
Long-term debt	1,145	1,160	1,184
Long-term liabilities	651	705	472
Contingencies (Note 10)			
Equity			
Best Buy Co., Inc. Shareholders' 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 - 217.9 million, 218.1 million and 225.1 million shares, respectively	22	22	22
Additional paid-in capital	-	21	20
Retained earnings	2,491	2,430	2,522
Accumulated other comprehensive income	322	322	328
Total equity	2,835	2,795	2,892
Total liabilities and equity	<u>\$ 15,318</u>	<u>\$ 15,803</u>	<u>\$ 15,419</u>

NOTE: The Consolidated Balance Sheet as of January 28, 2023, 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		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue	\$ 9,583	\$ 10,329	\$ 19,050	\$ 20,976
Cost of sales	7,363	8,042	14,680	16,336
Gross profit	2,220	2,287	4,370	4,640
Selling, general and administrative expenses	1,879	1,882	3,727	3,772
Restructuring charges	(7)	34	(16)	35
Operating income	348	371	659	833
Other income (expense):				
Gain on sale of subsidiary, net	21	-	21	-
Investment income (expense) and other	12	3	33	(2)
Interest expense	(12)	(7)	(24)	(13)
Earnings before income tax expense and equity in income (loss) of affiliates	369	367	689	818
Income tax expense	96	58	171	168
Equity in income (loss) of affiliates	1	(3)	-	(3)
Net earnings	\$ 274	\$ 306	\$ 518	\$ 647
Basic earnings per share	\$ 1.25	\$ 1.36	\$ 2.37	\$ 2.86
Diluted earnings per share	\$ 1.25	\$ 1.35	\$ 2.36	\$ 2.85
Weighted-average common shares outstanding:				
Basic	218.6	225.4	218.7	226.1
Diluted	219.0	226.1	219.5	227.2

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net earnings	\$ 274	\$ 306	\$ 518	\$ 647
Foreign currency translation adjustments, net of tax	5	-	-	(1)
Comprehensive income	<u>\$ 279</u>	<u>\$ 306</u>	<u>\$ 518</u>	<u>\$ 646</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	July 29, 2023	July 30, 2022
Operating activities		
Net earnings	\$ 518	\$ 647
Adjustments to reconcile net earnings to total cash provided by (used in) operating activities:		
Depreciation and amortization	473	453
Restructuring charges	(16)	35
Stock-based compensation	75	65
Gain on sale of subsidiary, net	(21)	-
Other, net	2	19
Changes in operating assets and liabilities:		
Receivables	289	201
Merchandise inventories	(508)	(79)
Other assets	(32)	(13)
Accounts payable	(206)	(1,434)
Income taxes	(148)	42
Other liabilities	(245)	(645)
Total cash provided by (used in) operating activities	181	(709)
Investing activities		
Additions to property and equipment	(395)	(441)
Purchases of investments	(2)	(46)
Net proceeds from sale of subsidiary	14	-
Other, net	2	3
Total cash used in investing activities	(381)	(484)
Financing activities		
Repurchase of common stock	(158)	(465)
Dividends paid	(402)	(397)
Other, net	-	1
Total cash used in financing activities	(560)	(861)
Effect of exchange rate changes on cash and cash equivalents	(2)	1
Decrease in cash, cash equivalents and restricted cash	(762)	(2,053)
Cash, cash equivalents and restricted cash at beginning of period	2,253	3,205
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,491</u>	<u>\$ 1,152</u>

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 April 29, 2023	218.5	\$ 22	\$ -	\$ 2,454	\$ 317	\$ 2,793
Net earnings, three months ended July 29, 2023	-	-	-	274	-	274
Other comprehensive income:						
Foreign currency translation adjustments, net of tax	-	-	-	-	5	5
Stock-based compensation	-	-	37	-	-	37
Issuance of common stock	0.3	-	6	-	-	6
Common stock dividends, \$0.92 per share	-	-	3	(204)	-	(201)
Repurchase of common stock	(0.9)	-	(46)	(33)	-	(79)
Balances at July 29, 2023	<u>217.9</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 2,491</u>	<u>\$ 322</u>	<u>\$ 2,835</u>
Balances at January 28, 2023	218.1	\$ 22	\$ 21	\$ 2,430	\$ 322	\$ 2,795
Net earnings, six months ended July 29, 2023	-	-	-	518	-	518
Stock-based compensation	-	-	75	-	-	75
Issuance of common stock	1.8	-	10	-	-	10
Common stock dividends, \$1.84 per share	-	-	7	(410)	-	(403)
Repurchase of common stock	(2.0)	-	(113)	(47)	-	(160)
Balances at July 29, 2023	<u>217.9</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 2,491</u>	<u>\$ 322</u>	<u>\$ 2,835</u>
Balances at April 30, 2022	224.6	\$ 22	\$ -	\$ 2,417	\$ 328	\$ 2,767
Net earnings, three months ended July 30, 2022	-	-	-	306	-	306
Stock-based compensation	-	-	26	-	-	26
Issuance of common stock	0.6	-	1	-	-	1
Common stock dividends, \$0.88 per share	-	-	3	(201)	-	(198)
Repurchase of common stock	(0.1)	-	(10)	-	-	(10)
Balances at July 30, 2022	<u>225.1</u>	<u>\$ 22</u>	<u>\$ 20</u>	<u>\$ 2,522</u>	<u>\$ 328</u>	<u>\$ 2,892</u>
Balances at January 29, 2022	227.4	\$ 23	\$ -	\$ 2,668	\$ 329	\$ 3,020
Net earnings, six months ended July 30, 2022	-	-	-	647	-	647
Other comprehensive loss:						
Foreign currency translation adjustments, net of tax	-	-	-	-	(1)	(1)
Stock-based compensation	-	-	65	-	-	65
Issuance of common stock	2.3	-	10	-	-	10
Common stock dividends, \$1.76 per share	-	-	7	(404)	-	(397)
Repurchase of common stock	(4.6)	(1)	(62)	(389)	-	(452)
Balances at July 30, 2022	<u>225.1</u>	<u>\$ 22</u>	<u>\$ 20</u>	<u>\$ 2,522</u>	<u>\$ 328</u>	<u>\$ 2,892</u>

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 U.S. (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

A large proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season. 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 January 28, 2023. The first six months of fiscal 2024 and fiscal 2023 included 26 weeks.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from July 29, 2023, through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. No such events were identified.

Sale of Subsidiary

In the second quarter of fiscal 2024, we completed the sale of a Mexico subsidiary subsequent to our exit from operations in Mexico and recognized a \$21 million gain within Gain on sale of subsidiary, net on our Condensed Consolidated Statements of Earnings for the three and six months ended July 29, 2023.

Adopted Accounting Pronouncements

In the first quarter of fiscal 2024, we adopted Accounting Standards Update 2022-04 (“ASU 2022-04”), *Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*. ASU 2022-04 requires entities to disclose the key terms of supplier finance programs they use in connection with the purchase of goods and services, along with the amount of obligations outstanding at the end of each period and an annual roll-forward of such obligations. Below are the interim disclosures as a result of ASU 2022-04.

Supply Chain Financing

We have a supply chain financing program with an independent financial institution, whereby some of our suppliers have the opportunity to receive accounts payable settlements early, at a discount, facilitated by the financial institution. Under this program, the financial institution agrees to terms with our suppliers, including amounts that are eligible for early payment, the timing of such payments and the discounts. The financial institution then pays the supplier based on the payment terms agreed to. Suppliers’ participation in this program is at their own option. The financial institution can vary discounts offered at their own discretion. Our rights and obligations to our suppliers – which are typically formalized in standardized agreements – are not affected by the existence of the program. Our liability associated with the funded participation in the program, which is included in Accounts payable on our Condensed Consolidated Balance Sheets, was \$609 million, \$386 million and \$731 million as of July 29, 2023, January 28, 2023, and July 30, 2022, respectively.

Total Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash reported on our Condensed Consolidated Balance Sheets are reconciled to the total shown on our Condensed Consolidated Statements of Cash Flows as follows (\$ in millions):

	July 29, 2023	January 28, 2023	July 30, 2022
Cash and cash equivalents	\$ 1,093	\$ 1,874	\$ 840
Restricted cash included in Other current assets	398	379	312
Total cash, cash equivalents and restricted cash	<u>\$ 1,491</u>	<u>\$ 2,253</u>	<u>\$ 1,152</u>

Amounts included in restricted cash are primarily restricted to cover product protection plans provided under our membership offerings and other self-insurance liabilities.

Reclassifications

Certain reclassifications of immaterial amounts previously reported have been made to the accompanying Condensed Consolidated Statements of Cash Flows to maintain consistency and comparability between periods presented.

2. Restructuring

Fiscal 2023 Resource Optimization Initiative

In light of ongoing changes in business trends, during the second quarter of fiscal 2023, we commenced an enterprise-wide initiative to better align our spending with critical strategies and operations, as well as to optimize our cost structure. We do not expect to incur material future restructuring charges related to this initiative.

All charges incurred related to this initiative were comprised of employee termination benefits from continuing operations and were presented within Restructuring charges on our Condensed Consolidated Statements of Earnings as follows (\$ in millions):

	July 29, 2023		July 30, 2022		Cumulative Amount
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended	As of July 29, 2023
Domestic	\$ (7)	\$ (15)	\$ 34	\$ 34	\$ 125
International	-	(1)	-	-	4
Total	\$ (7)	\$ (16)	\$ 34	\$ 34	\$ 129

Restructuring accrual activity related to this initiative was as follows (\$ in millions):

	Termination Benefits		
	Domestic	International	Total
Balances at January 29, 2022	\$ -	\$ -	\$ -
Charges	34	-	34
Cash payments	(1)	-	(1)
Balances at July 30, 2022	\$ 33	\$ -	\$ 33
Balances at January 28, 2023	\$ 102	\$ 5	\$ 107
Cash payments	(44)	(2)	(46)
Adjustments ⁽¹⁾	(15)	(1)	(16)
Balances at July 29, 2023	\$ 43	\$ 2	\$ 45

(1) Represents adjustments primarily related to higher-than-expected employee retention from previously planned organizational changes.

3. Goodwill and Intangible Assets

Goodwill

Goodwill balances were as follows (\$ in millions):

	July 29, 2023		January 28, 2023		July 30, 2022	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
Domestic	\$ 1,450	\$ (67)	\$ 1,450	\$ (67)	\$ 1,452	\$ (67)
International	608	(608)	608	(608)	608	(608)
Total	\$ 2,058	\$ (675)	\$ 2,058	\$ (675)	\$ 2,060	\$ (675)

No impairment charges were recorded during the periods presented.

Definite-Lived Intangible Assets

We have definite-lived intangible assets recorded within Other assets on our Condensed Consolidated Balance Sheets as follows (\$ in millions):

	July 29, 2023		January 28, 2023		July 30, 2022		Weighted-Average Useful Life Remaining as of July 29, 2023 (in years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Customer relationships	\$ 360	\$ 264	\$ 360	\$ 236	\$ 360	\$ 208	9.7
Tradenames	108	63	108	56	108	47	5.1
Developed technology	64	57	64	51	64	46	3.3
Total	\$ 532	\$ 384	\$ 532	\$ 343	\$ 532	\$ 301	8.0

Amortization expense was as follows (\$ in millions):

	Statement of Earnings Location	Three Months Ended		Six Months Ended	
		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Amortization expense	SG&A	\$ 21	\$ 22	\$ 41	\$ 44

Amortization expense expected to be recognized in future periods is as follows (\$ in millions):

	Amortization Expense
Remainder of fiscal 2024	\$ 21
Fiscal 2025	21
Fiscal 2026	21
Fiscal 2027	18
Fiscal 2028	12
Fiscal 2029	10
Thereafter	45

4. Fair Value Measurements

Fair value measurements are reported in one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Recurring Fair Value Measurements

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

	Balance Sheet Location ⁽¹⁾	Fair Value Hierarchy	Fair Value at		
			July 29, 2023	January 28, 2023	July 30, 2022
Assets					
Money market funds ⁽²⁾	Cash and cash equivalents	Level 1	\$ 104	\$ 280	\$ 1
Time deposits ⁽³⁾	Cash and cash equivalents	Level 2	117	203	26
Money market funds ⁽²⁾	Other current assets	Level 1	167	178	125
Time deposits ⁽³⁾	Other current assets	Level 2	60	-	-
Marketable securities that fund deferred compensation ⁽⁴⁾	Other assets	Level 1	47	47	48

(1) Balance sheet location is determined by the length to maturity at date of purchase and whether the assets are restricted for particular use.

(2) Valued at quoted market prices in active markets at period end.

(3) Valued at face value plus accrued interest at period end, which approximates fair value.

(4) Valued using the performance of mutual funds that trade with sufficient frequency and volume to obtain pricing information on an ongoing basis.

Fair Value of Financial Instruments

The fair values of cash, restricted cash, receivables, accounts payable and other payables approximated their 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 their fair values.

Long-term debt is presented at carrying value on our Condensed Consolidated Balance Sheets. If our long-term debt were recorded at fair value, it would be classified as Level 2 in the fair value hierarchy. Long-term debt balances were as follows (\$ in millions):

	July 29, 2023		January 28, 2023		July 30, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt ⁽¹⁾	\$ 991	\$ 1,130	\$ 1,019	\$ 1,143	\$ 1,069	\$ 1,169

(1) Excludes debt discounts, issuance costs and finance lease obligations.

5. Derivative Instruments

We manage our economic and transaction exposure to certain risks by using 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 and by using interest rate swaps to mitigate the effect of interest rate fluctuations on our \$500 million of principal amount of notes due October 1, 2028. In addition, we use foreign currency forward contracts not designated as hedging instruments to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies.

Our derivative instruments designated as net investment hedges and interest rate swaps are recorded on our Condensed Consolidated Balance Sheets at fair value. When material, the gross fair values of our outstanding derivative instruments and corresponding fair value classifications are included in Note 4, *Fair Value Measurements*.

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

Contract Type	July 29, 2023	January 28, 2023	July 30, 2022
Derivatives designated as net investment hedges	\$ 102	\$ 114	\$ 118
Derivatives designated as interest rate swap contracts	500	500	500
No hedge designation (foreign exchange contracts)	50	56	65
Total	<u>\$ 652</u>	<u>\$ 670</u>	<u>\$ 683</u>

Effects of our derivative instruments on our Condensed Consolidated Statements of Earnings were as follows (\$ in millions):

	Statement of Earnings Location	Gain (Loss) Recognized			
		Three Months Ended		Six Months Ended	
		July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Interest rate swap contracts	Interest expense	\$ (10)	\$ 14	\$ (14)	\$ (31)
Adjustments to carrying value of long-term debt	Interest expense	10	(14)	14	31
Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

6. Debt

Short-Term Debt

U.S. Revolving Credit Facility

On April 12, 2023, we entered into a \$1.25 billion five-year senior unsecured revolving credit facility agreement (the "Five-Year Facility Agreement") with a syndicate of banks. The Five-Year Facility Agreement replaced the previous \$1.25 billion senior unsecured revolving credit facility (the "Previous Facility") with a syndicate of banks, which was entered into in May 2021 and scheduled to expire in May 2026, but was terminated on April 12, 2023. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in April 2028. There were no borrowings outstanding under the Five-Year Facility Agreement as of July 29, 2023, or the Previous Facility as of January 28, 2023, or July 30, 2022.

Long-Term Debt

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

	July 29, 2023	January 28, 2023	July 30, 2022
Notes, 4.45%, due October 1, 2028	\$ 500	\$ 500	\$ 500
Notes, 1.95%, due October 1, 2030	650	650	650
Interest rate swap valuation adjustments	(20)	(7)	19
Subtotal	1,130	1,143	1,169
Debt discounts and issuance costs	(9)	(9)	(10)
Finance lease obligations	39	42	40
Total long-term debt	1,160	1,176	1,199
Less current portion	15	16	15
Total long-term debt, less current portion	<u>\$ 1,145</u>	<u>\$ 1,160</u>	<u>\$ 1,184</u>

Fair Value and Future Maturities

See Note 4, *Fair Value Measurements*, for the fair value of long-term debt. Other than the \$500 million of principal amount of notes due October 1, 2028, we do not have any future maturities of long-term debt within the next five fiscal years.

7. Revenue

We generate substantially all of our revenue from contracts with customers from the sale of products and services. Contract balances primarily consist of receivables and liabilities related to unfulfilled membership benefits and services not yet completed, product merchandise not yet delivered to customers, deferred revenue from our private label and co-branded credit card arrangement and unredeemed gift cards. Contract balances were as follows (\$ in millions):

	July 29, 2023	January 28, 2023	July 30, 2022
Receivables, net ⁽¹⁾	\$ 485	\$ 581	\$ 534
Short-term contract liabilities included in:			
Unredeemed gift card liabilities	250	274	273
Deferred revenue	996	1,116	1,133
Accrued liabilities	64	66	78
Long-term contract liabilities included in:			
Long-term liabilities	254	265	5

(1) Receivables are recorded net of allowances for doubtful accounts of \$18 million, \$22 million and \$21 million as of July 29, 2023, January 28, 2023, and July 30, 2022, respectively.

During the first six months of fiscal 2024 and fiscal 2023, \$1,026 million and \$1,089 million of revenue was recognized, respectively, that was included in the contract liabilities at the beginning of the respective periods.

Estimated revenue from our contract liability balances expected to be recognized in future periods if the performance of the contract is expected to have an initial duration of more than one year is as follows (\$ in millions):

Fiscal Year	Amount
Remainder of fiscal 2024	\$ 17
Fiscal 2025	31
Fiscal 2026	29
Fiscal 2027	24
Fiscal 2028	24
Fiscal 2029	24
Thereafter	136

See Note 11, *Segments*, for information on our revenue by reportable segment and product category.

8. 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.

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		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Numerator				
Net earnings	\$ 274	\$ 306	\$ 518	\$ 647
Denominator				
Weighted-average common shares outstanding	218.6	225.4	218.7	226.1
Dilutive effect of stock compensation plan awards	0.4	0.7	0.8	1.1
Weighted-average common shares outstanding, assuming dilution	219.0	226.1	219.5	227.2
Potential shares which were anti-dilutive and excluded from weighted-average share computations	1.1	2.1	1.3	1.9
Basic earnings per share	\$ 1.25	\$ 1.36	\$ 2.37	\$ 2.86
Diluted earnings per share	\$ 1.25	\$ 1.35	\$ 2.36	\$ 2.85

9. Repurchase of Common Stock

On February 28, 2022, our Board of Directors approved a \$5.0 billion share repurchase program, which replaced the \$5.0 billion share repurchase program authorized on February 16, 2021. There is no expiration date governing the period over which we can repurchase shares under this authorization.

Information regarding share repurchases was as follows (\$ and shares in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Total cost of shares repurchased	\$ 69	\$ 10	\$ 150	\$ 452
Average price per share	\$ 76.88	\$ 83.71	\$ 76.48	\$ 96.83
Total number of shares repurchased	0.9	0.1	2.0	4.6

As of July 29, 2023, \$4.0 billion of the \$5.0 billion share repurchase authorization was available. Between the end of the second quarter of fiscal 2024 on July 29, 2023, and August 30, 2023, we repurchased an incremental 0.3 million shares of our common stock at a cost of \$25 million. We currently expect to continue share repurchases throughout fiscal 2024, with the level of repurchases being slightly higher in the second half of the year than the first half of the year.

10. 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.

11. Segments

Reportable segment and product category revenue information was as follows (\$ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue by reportable segment				
Domestic	\$ 8,890	\$ 9,569	\$ 17,691	\$ 19,463
International	693	760	1,359	1,513
Total revenue	\$ 9,583	\$ 10,329	\$ 19,050	\$ 20,976
Revenue by product category				
Domestic:				
Computing and Mobile Phones	\$ 3,674	\$ 3,964	\$ 7,362	\$ 8,249
Consumer Electronics	2,658	2,845	5,250	5,741
Appliances	1,384	1,657	2,723	3,247
Entertainment	544	508	1,135	1,081
Services	550	516	1,087	1,005
Other	80	79	134	140
Total Domestic revenue	\$ 8,890	\$ 9,569	\$ 17,691	\$ 19,463
International:				
Computing and Mobile Phones	\$ 309	\$ 327	\$ 625	\$ 671
Consumer Electronics	194	223	378	436
Appliances	92	104	151	175
Entertainment	50	51	110	108
Services	38	37	74	91
Other	10	18	21	32
Total International revenue	\$ 693	\$ 760	\$ 1,359	\$ 1,513

Operating income by reportable segment and the reconciliation to consolidated earnings before income tax expense and equity in income (loss) of affiliates was as follows (\$ in millions):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Domestic	\$ 329	\$ 343	\$ 619	\$ 772
International	19	28	40	61
Total operating income	348	371	659	833
Other income (expense):				
Gain on sale of subsidiary, net	21	-	21	-
Investment income (expense) and other	12	3	33	(2)
Interest expense	(12)	(7)	(24)	(13)
Earnings before income tax expense and equity in income (loss) of affiliates	\$ 369	\$ 367	\$ 689	\$ 818

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

	July 29, 2023	January 28, 2023	July 30, 2022
Domestic	\$ 14,028	\$ 14,549	\$ 14,272
International	1,290	1,254	1,147
Total assets	\$ 15,318	\$ 15,803	\$ 15,419

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 should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (including the information presented therein under *Risk Factors*), as well as our other reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

We are driven by our purpose to enrich lives through technology and our vision to personalize and humanize technology solutions for every stage of life. We accomplish this by leveraging our combination of technology and a human touch to meet our customers’ everyday needs, whether they come to us online, visit our stores or invite us into their homes.

We have two reportable segments: Domestic and International. The Domestic segment is comprised of our operations in all states, districts and territories of the U.S. and our Best Buy Health business. The International segment is comprised of all our operations in Canada.

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.

Comparable Sales

Throughout this MD&A, we refer to comparable sales. Comparable sales is a metric used by management to evaluate the performance of our existing stores, websites and call centers by measuring the change in net sales for a particular period over the comparable prior period of equivalent length. Comparable sales includes revenue from stores, websites and call centers operating for at least 14 full months. Revenue from online sales is included in comparable sales and represents sales initiated on a website or app, regardless of whether customers choose to pick up product in store, curbside, at an alternative pick-up location or take delivery direct to their homes. Revenue from acquisitions is included in comparable sales beginning with the first full quarter following the first anniversary of the date of the acquisition. Comparable sales also includes credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable. Revenue from stores closed more than 14 days, including but not limited to relocated, remodeled, expanded and downsized stores, or stores impacted by natural disasters, is excluded from comparable sales until at least 14 full months after reopening. Comparable sales excludes the impact of revenue from discontinued operations, the impact of profit-share revenue from our services plan portfolio and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). All periods presented apply this methodology consistently.

We believe comparable sales is a meaningful supplemental metric for investors to evaluate revenue performance resulting from growth in existing stores, websites and call centers versus the portion resulting from opening new stores or closing existing stores. 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 U.S. ("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"). We believe that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, provide additional useful information for evaluating current period performance and assessing future performance. For these reasons, internal management reporting, including budgets, forecasts and financial targets used for short-term incentives are based on non-GAAP financial measures. Generally, our non-GAAP financial measures include adjustments for items such as restructuring charges, goodwill and intangible asset impairments, price-fixing settlements, gains and losses on sales of subsidiaries and certain investments, intangible asset amortization, certain acquisition-related costs and the tax effect of all such items. In addition, certain other items may be excluded from non-GAAP financial measures when we believe doing so provides greater clarity to management and our investors. We provide reconciliations of the most comparable financial measures presented in accordance with GAAP to presented non-GAAP financial measures that enable investors to understand the adjustments made in arriving at the non-GAAP financial measures and to evaluate performance using the same metrics as management. 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 may be calculated differently from similarly titled measures used by other companies, thereby limiting their usefulness for comparative purposes.

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 Non-GAAP Financial Measures section below for detailed reconciliations of items impacting non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS in the presented periods.

Business Strategy Update

In the second quarter of fiscal 2024, our teams once again delivered strong execution and showcased their ability to navigate through what continues to be a challenging environment for our industry, while keeping our customers and their experiences as our top priority. We continue to appropriately balance the need to adjust in response to current industry sales trends with the need to invest so we can capitalize on opportunities as our industry moves through this downturn and returns to expected growth.

Our digital sales in the second quarter of fiscal 2024 comprised 31% of our Domestic revenue, consistent with the second quarter of fiscal 2023 and nearly twice as high as the percentage of Domestic revenue in the pre-pandemic second quarter of fiscal 2020. During these same time periods, the percentage of online sales picked up in our stores by our customers was also consistent at just over 40%. Therefore, we are continuing to adapt our omni-channel capabilities to ensure we maintain a leading position in an increasingly digital age and evolving retail landscape.

We believe our portfolio of stores needs to provide customers with differentiated experiences and multichannel fulfillment. At the same time, we need them to become more cost and capital efficient to operate while remaining a great place to work. We are on track to deliver our fiscal 2024 store plans, which include closing 20 to 30 large format stores, implementing 8 large format Experience store remodels and expanding the number of Outlet stores to approximately 25 by the end of fiscal 2024.

We continue to advance our operating model to align with the ongoing evolution of our industry and marketplace trends with two overarching goals in mind – efficiently allocating our labor cost, considering the channel shift from our physical stores to online, and providing our employees flexibility, predictability and opportunities to gain more skills. We are focused on balancing the amount of labor hours necessary to deliver the best experience possible for our customers and other stakeholders. At the same time, we have been investing in tools, training and employee development programs that increase their flexibility within and across stores. As not all roles, and the associated hourly pay, are the same, we are making the strategic tradeoff decisions necessary to give us the ability to flexibly adjust our labor spending appropriately, particularly customer-facing labor.

During the second quarter of fiscal 2024, we continued to build customer relationships through our membership programs. We successfully launched significant changes to our membership program that we expect will give customers more freedom to choose a membership that fits their technology needs, budget and shopping preferences. In addition, we expect the changes to provide more flexibility to evolve our programs in the future, while resulting in a lower cost to serve than our previous paid membership program, which we have already seen in margin favorability.

For the remainder of fiscal 2024, macroeconomic headwinds will likely result in continued pressure, and we are preparing for sales in the consumer electronics industry to decline again this year. In particular, our customers are facing economic challenges from the dual pressures of high inflation and the resulting interest rate increases, and it is difficult to predict how such factors will impact us in the near term. However, we expect several factors to drive the eventual return of industry growth over time, including the natural upgrade and replacement cycles for the technology bought earlier in the pandemic and continued vendor innovation. In addition, macro technology trends like cloud, augmented reality, generative AI and expanded broadband access have the potential to drive new products and demand. While our product categories tend to experience slightly different timing nuances, in general, we believe they are poised for growth in the coming years. In addition, we are continuing our expansion into newer categories like wellness technology, personal electric transportation, outdoor living and electric car charging.

We remain excited about our industry and our future. There are more technology products than ever in people's homes, technology is increasingly a necessity in our lives, and we believe we are uniquely there for our customers as they continue to navigate this innovative space.

Results of Operations

Consolidated Results

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue	\$ 9,583	\$ 10,329	\$ 19,050	\$ 20,976
Revenue % change	(7.2)%	(12.8)%	(9.2)%	(10.7)%
Comparable sales % change	(6.2)%	(12.1)%	(8.2)%	(10.1)%
Gross profit	\$ 2,220	\$ 2,287	\$ 4,370	\$ 4,640
Gross profit as a % of revenue ⁽¹⁾	23.2 %	22.1 %	22.9 %	22.1 %
SG&A	\$ 1,879	\$ 1,882	\$ 3,727	\$ 3,772
SG&A as a % of revenue ⁽¹⁾	19.6 %	18.2 %	19.6 %	18.0 %
Restructuring charges	\$ (7)	\$ 34	\$ (16)	\$ 35
Operating income	\$ 348	\$ 371	\$ 659	\$ 833
Operating income as a % of revenue	3.6 %	3.6 %	3.5 %	4.0 %
Net earnings	\$ 274	\$ 306	\$ 518	\$ 647
Diluted earnings per share	\$ 1.25	\$ 1.35	\$ 2.36	\$ 2.85

(1) Because retailers vary in how they record costs of operating their supply chain between cost of sales 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 sales and SG&A, refer to 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 January 28, 2023.

In the second quarter and first six months of fiscal 2024, we generated \$9.6 billion and \$19.1 billion in revenue, respectively, and our comparable sales declined 6.2% and 8.2%, respectively, as we continued to operate in a consumer electronics industry that is challenged from the pull-forward of demand in prior years, increased spending outside the home in areas such as travel and entertainment, and various macroeconomic pressures, including high inflation and rising interest rates.

Revenue, gross profit rate, SG&A and operating income rate changes in the second quarter and first six months of fiscal 2024 were primarily driven by our Domestic segment. For further discussion of our Domestic and International segments, see *Segment Performance Summary*, below.

Income Tax Expense

Income tax expense increased in the second quarter of fiscal 2024 primarily due to the prior year resolution of certain discrete tax matters. Our effective tax rate ("ETR") increased to 26.1% in the second quarter of fiscal 2024 compared to 15.6% in the second quarter of fiscal 2023, primarily due to the prior year resolution of certain discrete tax matters.

Income tax expense was relatively unchanged in the first six months of fiscal 2024, primarily due to the prior year resolution of certain discrete tax matters offset by a decrease in pre-tax earnings. Our ETR increased to 24.8% in the first six months of fiscal 2024 compared to 20.5% in the first six months of fiscal 2023, primarily due to the prior year resolution of certain discrete tax matters and decreased tax benefits from stock-based compensation, partially offset by the impact of lower pre-tax earnings.

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 Segment

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue	\$ 8,890	\$ 9,569	\$ 17,691	\$ 19,463
Revenue % change	(7.1)%	(13.1)%	(9.1)%	(10.9)%
Comparable sales % change ⁽¹⁾	(6.3)%	(12.7)%	(8.4)%	(10.6)%
Gross profit	\$ 2,052	\$ 2,109	\$ 4,044	\$ 4,279
Gross profit as a % of revenue	23.1 %	22.0 %	22.9 %	22.0 %
SG&A	\$ 1,730	\$ 1,732	\$ 3,440	\$ 3,473
SG&A as a % of revenue	19.5 %	18.1 %	19.4 %	17.8 %
Restructuring charges	\$ (7)	\$ 34	\$ (15)	\$ 34
Operating income	\$ 329	\$ 343	\$ 619	\$ 772
Operating income as a % of revenue	3.7 %	3.6 %	3.5 %	4.0 %
Selected Online Revenue Data				
Total online revenue	\$ 2,763	\$ 2,975	\$ 5,451	\$ 6,034
Online revenue as a % of total segment revenue	31.1 %	31.0 %	30.8 %	31.0 %
Comparable online sales % change ⁽¹⁾	(7.1)%	(14.7)%	(9.7)%	(14.8)%

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

The decrease in revenue in the second quarter and first six months of fiscal 2024 was primarily driven by comparable sales declines in appliances, home theater, computing and mobile phones, partially offset by comparable sales growth in gaming. Online revenue of \$2.8 billion and \$5.5 billion in the second quarter and first six months of fiscal 2024 decreased 7.1% and 9.7% on a comparable basis, respectively. These decreases in revenue were primarily due to the reasons described above and within the *Consolidated Results* section, above.

Domestic segment stores open at the beginning and end of the second quarters of fiscal 2024 and fiscal 2023 were as follows:

	Fiscal 2024				Fiscal 2023			
	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter
Best Buy	908	-	(1)	907	931	1	(2)	930
Outlet Centers	20	1	(1)	20	16	2	-	18
Pacific Sales	20	-	-	20	21	-	-	21
Yardbird	18	4	-	22	9	4	-	13
Total	966	5	(2)	969	977	7	(2)	982

We continuously monitor store performance as part of a market-driven, omnichannel strategy. As we approach the expiration of leases, we evaluate various options for each location, including whether a store should remain open. We currently expect to close a total of 20 to 30 Best Buy stores and open approximately 5 Outlet Centers in fiscal 2024.

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	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Computing and Mobile Phones	41 %	42 %	(6.4)%	(16.6)%
Consumer Electronics	30 %	30 %	(5.7)%	(14.7)%
Appliances	16 %	17 %	(16.1)%	(1.2)%
Entertainment	6 %	5 %	9.0 %	(9.2)%
Services	6 %	5 %	7.6 %	(8.5)%
Other	1 %	1 %	2.4 %	15.6
Total	100 %	100 %	(6.3)%	(12.7)%

Notable comparable sales changes by revenue category were as follows:

- **Computing and Mobile Phones:** The 6.4% comparable sales decline was driven primarily by computing, mobile phones and tablets.
- **Consumer Electronics:** The 5.7% comparable sales decline was driven primarily by home theater, partially offset by comparable sales growth in headphones and portable speakers.
- **Appliances:** The 16.1% comparable sales decline was driven primarily by large appliances.
- **Entertainment:** The 9.0% comparable sales growth was driven primarily by gaming, partially offset by comparable sales declines in virtual reality and drones.
- **Services:** The 7.6% comparable sales growth was driven primarily by the cumulative growth in our paid membership base.

Our gross profit rate increased in the second quarter of fiscal 2024, primarily due to favorable product margin rates, improved financial performance from our membership offerings, which included higher services margin rates and reduced costs associated with program changes made to our free membership offering, and an improved gross profit rate from our Health initiatives.

Our gross profit rate increased in the first six months of fiscal 2024, primarily due to improved financial performance from our membership offerings, which included higher services margin rates and reduced costs associated with program changes made to our free membership offering, favorable product margin rates, the profit-sharing revenue from our private label and co-branded credit card arrangement and an improved gross profit rate from our Health initiatives.

Our profit-sharing revenue from our credit card arrangement has been a consistent benefit to our gross profit and operating income rates for the past nine quarters and approximated 1.4% of Domestic revenue in fiscal 2023, an increase of approximately 50 basis points compared to fiscal 2020. This growth has been driven by the increased usage of our credit card, both at and outside of Best Buy, and the favorable credit environment. For fiscal 2024, we expect this profit-sharing revenue to have a relatively neutral impact to our annual gross profit rate compared to last year, as the benefit from the first half of the year is expected to turn to a slight pressure in the second half of the year.

Our SG&A in the second quarter of fiscal 2024 was approximately flat to last year, as higher incentive compensation was primarily offset by lower store payroll expense.

Our SG&A in the first six months of fiscal 2024 decreased primarily due to lower store payroll expense, partially offset by higher incentive compensation expense.

The reduction in restructuring charges in the second quarter and first six months of fiscal 2024 was primarily related to higher-than-expected employee retention from our fiscal 2023 resource optimization initiative. Refer to Note 2, *Restructuring*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for additional information.

Our operating income rate increased in the second quarter of fiscal 2024, due to an increase in gross profit rate and lower restructuring charges, partially offset by an unfavorable SG&A rate.

Our operating income rate decreased in the six months of fiscal 2024, primarily due to decreased leverage from lower sales volume on our fixed expenses and higher incentive compensation expense, which resulted in an unfavorable SG&A rate, partially offset by favorability in gross profit rate.

International Segment

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Revenue	\$ 693	\$ 760	\$ 1,359	\$ 1,513
Revenue % change	(8.8)%	(9.3)%	(10.2)%	(7.4)%
Comparable sales % change	(5.4)%	(4.2)%	(5.5)%	(2.8)%
Gross profit	\$ 168	\$ 178	\$ 326	\$ 361
Gross profit as a % of revenue	24.2 %	23.4 %	24.0 %	23.9 %
SG&A	\$ 149	\$ 150	\$ 287	\$ 299
SG&A as a % of revenue	21.5 %	19.7 %	21.1 %	19.8 %
Restructuring charges	\$ -	\$ -	\$ (1)	\$ 1
Operating income	\$ 19	\$ 28	\$ 40	\$ 61
Operating income as a % of revenue	2.7 %	3.7 %	2.9 %	4.0 %

The decreases in revenue in the second quarter and first six months of fiscal 2024 were primarily driven by comparable sales declines of 5.4% and 5.5%, respectively, and the negative impact from unfavorable foreign currency exchange rates.

International segment stores open at the beginning and end of the second quarters of fiscal 2024 and fiscal 2023 were as follows:

	Fiscal 2024				Fiscal 2023			
	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter	Total Stores at Beginning of Second Quarter	Stores Opened	Stores Closed	Total Stores at End of Second Quarter
Canada								
Best Buy	127	1	-	128	127	-	-	127
Best Buy Mobile	32	-	-	32	33	-	-	33
Total	159	1	-	160	160	-	-	160

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	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Computing and Mobile Phones	45 %	43 %	(2.4)%	(7.6)%
Consumer Electronics	28 %	29 %	(10.4)%	(4.8)%
Appliances	13 %	14 %	(6.1)%	6.8 %
Entertainment	7 %	7 %	2.5 %	(5.8)%
Services	5 %	5 %	4.6 %	(0.4)%
Other	2 %	2 %	(38.1)%	12.6 %
Total	100 %	100 %	(5.4)%	(4.2)%

Notable comparable sales changes by revenue category were as follows:

- **Computing and Mobile Phones:** The 2.4% comparable sales decline was driven primarily by computing and tablets, partially offset by comparable sales growth in mobile phones.
- **Consumer Electronics:** The 10.4% comparable sales decline was driven primarily by home theater.
- **Appliances:** The 6.1% comparable sales decline was driven primarily by large appliances.
- **Entertainment:** The 2.5% comparable sales growth was driven primarily by gaming and drones, partially offset by a comparable sales decline in virtual reality.
- **Services:** The 4.6% comparable sales growth was driven primarily by the cumulative growth in our paid membership base and warranty services.

The increase in our gross profit rate in the second quarter of fiscal 2024 was primarily driven by a higher mix of revenue from the higher margin rate services category. The increase in our gross profit rate in the first six months of fiscal 2024 was primarily driven by improved product margin rates.

Our SG&A decreased in the second quarter and first six months of fiscal 2024, primarily due to the favorable impact of foreign currency exchange rates and lower store payroll expense, partially offset by higher incentive compensation expense.

Our operating income rates decreased in the second quarter and first six months of fiscal 2024, primarily due to decreased leverage from lower sales volume on our fixed expenses, which resulted in unfavorable SG&A rates, partially offset by favorability in gross profit rates.

Consolidated Non-GAAP Financial Measures

Reconciliations of operating income, effective tax rate and diluted EPS (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS (non-GAAP financial measures) were as follows (\$ in millions, except per share amounts):

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Operating income	\$ 348	\$ 371	\$ 659	\$ 833
% of revenue	3.6 %	3.6 %	3.5 %	4.0 %
Intangible asset amortization ⁽¹⁾	21	22	41	44
Restructuring charges ⁽²⁾	(7)	34	(16)	35
Non-GAAP operating income	\$ 362	\$ 427	\$ 684	\$ 912
% of revenue	3.8 %	4.1 %	3.6 %	4.3 %
Effective tax rate	26.1 %	15.6 %	24.8 %	20.5 %
Intangible asset amortization ⁽¹⁾	(0.4)%	0.4 %	0.4 %	0.2 %
Restructuring charges ⁽²⁾	0.4 %	0.7 %	(0.1)%	0.1 %
Loss on investments	0.5 %	-%	-%	-%
Non-GAAP effective tax rate	26.6 %	16.7 %	25.1 %	20.8 %
Diluted EPS	\$ 1.25	\$ 1.35	\$ 2.36	\$ 2.85
Intangible asset amortization ⁽¹⁾	0.10	0.10	0.18	0.19
Restructuring charges ⁽²⁾	(0.03)	0.15	(0.07)	0.15
Loss on investments	-	-	0.02	-
Gain on sale of subsidiary, net ⁽³⁾	(0.10)	-	(0.10)	-
Income tax impact of non-GAAP adjustments ⁽⁴⁾	-	(0.06)	(0.02)	(0.08)
Non-GAAP diluted EPS	\$ 1.22	\$ 1.54	\$ 2.37	\$ 3.11

For additional information regarding the nature of charges discussed below, refer to Note 1, *Basis of Presentation*, Note 2, *Restructuring*, and Note 3, *Goodwill and Intangible Assets*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

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

Our non-GAAP operating income rates decreased in the second quarter and first six months of fiscal 2024, primarily due to unfavorable SG&A rates, partially offset by favorable gross profit rates.

Our non-GAAP effective tax rate increased in the second quarter of fiscal 2024, primarily due to the prior year resolution of certain discrete tax matters. Our non-GAAP effective tax rate increased in the first six months of fiscal 2024, primarily due to the prior year resolution of certain discrete tax matters and decreased tax benefits from stock-based compensation, partially offset by the impact of lower pre-tax earnings.

Our non-GAAP diluted EPS decreased in the second quarter and first six months of fiscal 2024, primarily due to the decreases in non-GAAP operating income.

Liquidity and Capital Resources

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, dividends, credit facilities, short-term borrowing arrangements and working capital management. We modify our approach to managing these variables as changes in our operating environment arise. For example, 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 and cash equivalents were as follows (\$ in millions):

	July 29, 2023	January 28, 2023	July 30, 2022
Cash and cash equivalents	\$ 1,093	\$ 1,874	\$ 840

The decrease in cash and cash equivalents from January 28, 2023, was primarily due to the timing and volume of inventory purchases and payments, dividend payments and capital expenditures, partially offset by earnings.

The increase in cash and cash equivalents from July 30, 2022, was primarily due to positive cash flows from operations, primarily driven by earnings and the timing and volume of inventory purchases and payments, partially offset by capital expenditures, dividend payments and share repurchases.

Cash Flows

Cash flows were as follows (\$ in millions):

	Six Months Ended	
	July 29, 2023	July 30, 2022
Total cash provided by (used in):		
Operating activities	\$ 181	\$ (709)
Investing activities	(381)	(484)
Financing activities	(560)	(861)
Effect of exchange rate changes on cash and cash equivalents	(2)	1
Decrease in cash, cash equivalents and restricted cash	<u>\$ (762)</u>	<u>\$ (2,053)</u>

Operating Activities

The increase in cash provided by operating activities in the first six months of fiscal 2024 was primarily driven by the timing and volume of inventory purchases and payments, and lower incentive compensation payments in the current year as a result of less favorable fiscal 2023 results. These impacts were partially offset by higher tax payments in the current year, a decrease in deferred revenue and lower earnings in the current-year period.

Investing Activities

Cash used in investing activities in the first six months of fiscal 2024 decreased, primarily driven by lower capital spending for initiatives to support our business and a decrease in purchases of investments. We currently expect capital expenditures to approximate \$850 million in fiscal 2024.

Financing Activities

The decrease in cash used in financing activities in the first six months of fiscal 2024 was primarily driven by lower share repurchases.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, 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.

On April 12, 2023, we entered into a \$1.25 billion five-year senior unsecured revolving credit facility agreement (the "Five-Year Facility Agreement") with a syndicate of banks. The Five-Year Facility Agreement replaced the previous \$1.25 billion senior unsecured revolving credit facility (the "Previous Facility") with a syndicate of banks, which was entered into in May 2021 and scheduled to expire in May 2026, but was terminated on April 12, 2023. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in April 2028. There were no borrowings outstanding under the Five-Year Facility Agreement as of July 29, 2023, or the Previous Facility as of January 28, 2023, or July 30, 2022.

Our credit ratings and outlook as of August 30, 2023, remained unchanged from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, and are summarized below.

Rating Agency	Rating	Outlook
Standard & Poor's	BBB+	Stable
Moody's	A3	Stable

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 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 primarily restricted to cover product protection plans provided under our membership offerings and other self-insurance liabilities. Restricted cash, which is included in Other current assets on our Condensed Consolidated Balance Sheets, was \$398 million, \$379 million and \$312 million at July 29, 2023, January 28, 2023, and July 30, 2022, respectively. The increases in restricted cash from January 28, 2023, and July 30, 2022, were primarily due to growth in our paid membership base.

Debt and Capital

As of July 29, 2023, we had \$500 million of principal amount of notes due October 1, 2028, and \$650 million of principal amount of notes due October 1, 2030. Refer to Note 6, *Debt*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, and Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, for additional information about our outstanding debt.

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. Our share repurchase plans are evaluated on an ongoing basis, considering factors such as our financial condition and cash flows, our economic outlook, the impact of tax laws, our liquidity needs, and the health and stability of global credit markets. The timing and amount of future repurchases may vary depending on such factors.

On February 28, 2022, our Board approved a \$5.0 billion share repurchase program, which replaced the \$5.0 billion share repurchase program authorized on February 16, 2021. There is no expiration date governing the period over which we can repurchase shares under this authorization.

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

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Total cost of shares repurchased	\$ 69	\$ 10	\$ 150	\$ 452
Average price per share	\$ 76.88	\$ 83.71	\$ 76.48	\$ 96.83
Total number of shares repurchased	0.9	0.1	2.0	4.6
Regular quarterly cash dividend per share	\$ 0.92	\$ 0.88	\$ 1.84	\$ 1.76
Cash dividends declared and paid	\$ 200	\$ 198	\$ 402	\$ 397

The total cost of shares repurchased increased in the second quarter of fiscal 2024, primarily due to an increase in the volume of repurchases. The total cost of shares repurchased decreased in the first six months of fiscal 2024 due to decreases in the volume of repurchases and the average price per share. Cash dividends declared and paid increased in the second quarter and first six months of fiscal 2024, primarily due to an increase in the regular quarterly cash dividend per share, partially offset by fewer shares outstanding.

Between the end of the second quarter of fiscal 2024 on July 29, 2023, and August 30, 2023, we repurchased an incremental 0.3 million shares of our common stock at a cost of \$25 million. We currently expect to continue share repurchases throughout fiscal 2024, with the level of repurchases being slightly higher in the second half of the year compared to the first half of the year.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, remained unchanged at 1.0 as of July 29, 2023, January 28, 2023, and July 30, 2022.

Our debt to earnings ratio, calculated as total debt (including current portion) divided by net earnings over the trailing twelve months increased to 0.9 as of July 29, 2023, compared to 0.8 as of January 28, 2023, and 0.7 as of July 30, 2022, primarily due to lower net earnings.

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 Five-Year Facility Agreement as of July 29, 2023, which, if drawn upon, would be included in either short-term or long-term debt on our Condensed Consolidated Balance Sheets.

There has been no material change in our contractual obligations other than in the ordinary course of business since the end of fiscal 2023. See our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, 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, and 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 January 28, 2023. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2023.

New Accounting Pronouncements

For a description of applicable new 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. We do not expect any recently issued accounting pronouncements to have a material effect on our financial statements.

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," "appear," "approximate," "assume," "believe," "continue," "could," "estimate," "expect," "foresee," "guidance," "intend," "may," "might," "outlook," "plan," "possible," "project," "seek," "should," "would," and other words and terms of similar meaning or the negatives thereof. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, our operating model, new strategies and growth initiatives, the competitive environment, consumer behavior and other events. These statements involve a number of judgments and are subject to certain risks and uncertainties, many of which are outside the control of the Company, 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 most recent Annual Report on Form 10-K, and any updated information in subsequent Quarterly Reports on Form 10-Q, 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: macroeconomic pressures in the markets in which we operate (including but not limited to recession, inflation rates, fluctuations in foreign currency exchange rates, limitations on a government's ability to borrow and/or spend capital, fluctuations in housing prices, energy markets, and jobless rates and effects related to the conflict in Ukraine or other geopolitical events); catastrophic events, health crises and pandemics; susceptibility of the products we sell to technological advancements, product life cycle fluctuations and; changes in consumer preferences; competition (including from multi-channel retailers, e-commerce business, technology service providers, traditional store-based retailers, vendors and mobile network carriers and in the provision of delivery speed and options); our ability to attract and retain qualified employees; changes in market compensation rates; our expansion into health and new products, services and technologies; our focus on services as a strategic priority; our reliance on key vendors and mobile network carriers (including product availability); our ability to maintain positive brand perception and recognition; our ability to effectively manage strategic ventures, alliances or acquisitions; our ability to effectively manage our real estate portfolio; inability of vendors or service providers to perform components of our supply chain (impacting our stores or other aspects of our operations) and other various functions of our business; risks arising from and potentially unique to our exclusive brands products; our reliance on our information technology systems, internet and telecommunications access and capabilities; our ability to prevent or effectively respond to a cyber-attack, privacy or security breach; product safety and quality concerns; changes to labor or employment laws or regulations; risks arising from statutory, regulatory and legal developments (including statutes and/or regulations related to tax or privacy); evolving corporate governance and public disclosure regulations and expectations (including, but not limited to, cybersecurity and environmental, social and governance matters) risks arising from our international activities (including those related to the conflict in Ukraine or fluctuations in foreign currency exchange rates) and those of our vendors; failure to effectively manage our costs; our dependence on cash flows and net earnings generated during the fourth fiscal quarter; pricing investments and promotional activity; economic or regulatory developments that might affect our ability to provide attractive promotional financing; constraints in the capital markets; changes to our vendor credit terms; changes in our credit ratings; failure to meet financial-performance guidance or other forward-looking statements; and general economic uncertainty in key global markets and worsening of global economic conditions or low levels of economic growth. 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 January 28, 2023, 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 restricted cash generate interest income that will vary based on changes in short-term interest rates. In addition, we have swapped a portion of our fixed-rate debt to floating rate such that the interest expense on this debt will vary with short-term interest rates. Refer to 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 January 28, 2023, for further information regarding our interest rate swaps.

As of July 29, 2023, we had \$1.5 billion of cash, cash equivalents and restricted cash and \$0.5 billion of debt that has been swapped to floating rate, and therefore the net asset balance exposed to interest rate changes was \$1.0 billion. As of July 29, 2023, a 50-basis point increase in short-term interest rates would have led to an estimated \$5 million increase in interest income, and conversely a 50-basis point decrease in short-term interest rates would have led to an estimated \$5 million decrease in interest income.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to operations in our International segment. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecasted inventory purchases, recognized receivable and payable balances and our investment in our Canadian operations. Refer to 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 January 28, 2023, for additional information regarding these instruments.

In the second quarter and first six months of fiscal 2024, 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 this foreign currency revenue translated into less U.S. dollars. We estimate that foreign currency exchange rate fluctuations had an unfavorable impact on our revenue of approximately \$26 million and \$72 million in the second quarter and first six months of fiscal 2024, respectively. The impact of foreign exchange rate fluctuations on our net earnings in the second quarter and first six months of fiscal 2024 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 U.S. Securities and Exchange Commission's ("SEC") 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 more often if necessary.

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 July 29, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at July 29, 2023, our disclosure controls and procedures were effective.

There were no changes in internal control over financial reporting during the fiscal quarter ended July 29, 2023, 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 10, *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, Use of Proceeds and Issuer Purchases of Equity Securities

c) Stock Repurchases

On February 28, 2022, our Board approved a \$5.0 billion share repurchase program. There is no expiration date governing the period over which we can repurchase shares under this authorization. For additional information, see Note 9, *Repurchase of Common Stock*, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 30, 2023 through May 27, 2023	306,921	\$ 72.00	306,921	\$ 4,021,000,000
May 28, 2023 through July 1, 2023	334,957	\$ 77.22	334,957	\$ 3,996,000,000
July 2, 2023 through July 29, 2023	254,399	\$ 82.30	254,399	\$ 3,975,000,000
Total fiscal 2024 second quarter	896,277	\$ 76.88	896,277	\$ 3,975,000,000

Item 5. Other Information

Rule 10b5-1 Plan Elections

During the fiscal quarter ended July 29, 2023, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended), adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933, as amended).

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on June 12, 2020).
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 second quarter of fiscal 2024, filed with the SEC on September 1, 2023, formatted in Inline Extensible Business Reporting Language ("iXBRL"): (i) the Condensed Consolidated Balance Sheets as of July 29, 2023, January 28, 2023, and July 30, 2022, (ii) the Condensed Consolidated Statements of Earnings for the three and six months ended July 29, 2023, and July 30, 2022, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 29, 2023, and July 30, 2022, (iv) the Condensed Consolidated Statements of Cash Flows for the six months ended July 29, 2023, and July 30, 2022, (v) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and six months ended July 29, 2023, and July 30, 2022, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from our Quarterly Report on Form 10-Q for the second quarter of fiscal 2024, filed with the SEC on September 1, 2023, 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: September 1, 2023

By: /s/ CORIE BARRY

Corie Barry
Chief Executive Officer

Date: September 1, 2023

By: /s/ MATTHEW BILUNAS

Matthew Bilunas
Chief Financial Officer

Date: September 1, 2023

By: /s/ MATHEW R. WATSON

Mathew R. Watson
Senior Vice President, Finance – Controller and Chief Accounting Officer

**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: September 1, 2023

/s/ CORIE BARRY

Corie Barry

Chief Executive Officer

**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: September 1, 2023

/s/ MATTHEW BILUNAS

Matthew Bilunas

Chief Financial Officer

**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 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 July 29, 2023 (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: September 1, 2023

/s/ CORIE BARRY

Corie Barry

Chief Executive Officer

**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 July 29, 2023 (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: September 1, 2023

/s/ MATTHEW BILUNAS

Matthew Bilunas

Chief Financial Officer
