

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 October 30, 2021

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)

7601 Penn Avenue South
Richfield, Minnesota
(Address of principal executive offices)

41-0907483
(I.R.S. Employer Identification No.)

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 ☒ Smaller Reporting Company Accelerated Filer Non-accelerated Filer 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.
Yes ☒ **No**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
The registrant had 240,560,898 shares of common stock outstanding as of December 1, 2021.

BEST BUY CO., INC.
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PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

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

	October 30, 2021	January 30, 2021	October 31, 2020
Assets			
Current assets			
Cash and cash equivalents	\$ 3,465	\$ 5,494	\$ 5,136
Short-term investments	-	-	545
Receivables, net	1,016	1,061	1,028
Merchandise inventories	8,553	5,612	7,459
Other current assets	496	373	383
Total current assets	13,520	12,540	14,551
Property and equipment, net	2,256	2,260	2,265
Operating lease assets	2,688	2,612	2,692
Goodwill	986	986	986
Other assets	652	669	708
Total assets	\$ 20,102	\$ 19,067	\$ 21,202
Liabilities and equity			
Current liabilities			
Accounts payable	\$ 8,405	\$ 6,979	\$ 9,110
Unredeemed gift card liabilities	306	317	278
Deferred revenue	977	711	788
Accrued compensation and related expenses	703	725	446
Accrued liabilities	895	972	968
Short-term debt	-	110	-
Current portion of operating lease liabilities	645	693	685
Current portion of long-term debt	15	14	670
Total current liabilities	11,946	10,521	12,945
Long-term operating lease liabilities	2,102	2,012	2,117
Long-term debt	1,223	1,253	1,256
Long-term liabilities	553	694	798
Contingencies (Note 11)			
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 - 243.8 million, 256.9 million and 258.8 million shares, respectively	24	26	26
Additional paid-in capital	-	-	133
Retained earnings	3,917	4,233	3,659
Accumulated other comprehensive income	337	328	268
Total equity	4,278	4,587	4,086
Total liabilities and equity	\$ 20,102	\$ 19,067	\$ 21,202

NOTE: The Consolidated Balance Sheet as of January 30, 2021, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Revenue	\$ 11,910	\$ 11,853	\$ 35,396	\$ 30,325
Cost of sales	9,108	9,058	27,069	23,295
Gross profit	2,802	2,795	8,327	7,030
Selling, general and administrative expenses	2,133	2,123	6,130	5,560
Restructuring charges	(1)	111	(39)	112
Operating income	670	561	2,236	1,358
Other income (expense):				
Investment income and other	1	5	7	19
Interest expense	(7)	(11)	(19)	(43)
Earnings before income tax expense and equity in income of affiliates	664	555	2,224	1,334
Income tax expense	166	164	402	352
Equity in income of affiliates	1	-	6	-
Net earnings	\$ 499	\$ 391	\$ 1,828	\$ 982
Basic earnings per share	\$ 2.02	\$ 1.50	\$ 7.31	\$ 3.79
Diluted earnings per share	\$ 2.00	\$ 1.48	\$ 7.23	\$ 3.74
Weighted-average common shares outstanding:				
Basic	246.4	259.8	249.9	259.3
Diluted	249.1	263.7	252.9	262.5

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Net earnings	\$ 499	\$ 391	\$ 1,828	\$ 982
Foreign currency translation adjustments, net of tax	2	10	9	(25)
Cash flow hedges	-	2	-	(2)
Comprehensive income	\$ 501	\$ 403	\$ 1,837	\$ 955

See Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended	
	October 30, 2021	October 31, 2020
Operating activities		
Net earnings	\$ 1,828	\$ 982
Adjustments to reconcile net earnings to total cash provided by operating activities:		
Depreciation and amortization	644	628
Restructuring charges	(39)	112
Stock-based compensation	105	107
Deferred income taxes	(16)	19
Other, net	3	10
Changes in operating assets and liabilities:		
Receivables	43	106
Merchandise inventories	(2,924)	(2,300)
Other assets	(12)	(60)
Accounts payable	1,387	3,824
Income taxes	(172)	121
Other liabilities	214	358
Total cash provided by operating activities	1,061	3,907
Investing activities		
Additions to property and equipment	(548)	(534)
Purchases of investments	(221)	(620)
Sales of investments	64	-
Other, net	(2)	1
Total cash used in investing activities	(707)	(1,153)
Financing activities		
Repurchase of common stock	(1,728)	(62)
Issuance of common stock	28	28
Dividends paid	(522)	(426)
Borrowings of debt	-	1,892
Repayments of debt	(123)	(1,261)
Other, net	(2)	(1)
Total cash provided by (used in) financing activities	(2,347)	170
Effect of exchange rate changes on cash and cash equivalents	6	(8)
Increase (decrease) in cash, cash equivalents and restricted cash	(1,987)	2,916
Cash, cash equivalents and restricted cash at beginning of period	5,625	2,355
Cash, cash equivalents and restricted cash at end of period	\$ 3,638	\$ 5,271

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 July 31, 2021	247.3	\$ 25	\$ -	\$ 3,975	\$ 335	\$ 4,335
Net earnings, three months ended October 30, 2021	-	-	-	499	-	499
Other comprehensive income:						
Foreign currency translation adjustments, net of tax	-	-	-	-	2	2
Stock-based compensation	-	-	34	-	-	34
Issuance of common stock	0.2	-	6	-	-	6
Common stock dividends, \$0.70 per share	-	-	3	(175)	-	(172)
Repurchase of common stock	(3.7)	(1)	(43)	(382)	-	(426)
Balances at October 30, 2021	<u>243.8</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 3,917</u>	<u>\$ 337</u>	<u>\$ 4,278</u>
Balances at January 30, 2021	256.9	\$ 26	\$ -	\$ 4,233	\$ 328	\$ 4,587
Net earnings, nine months ended October 30, 2021	-	-	-	1,828	-	1,828
Other comprehensive income:						
Foreign currency translation adjustments, net of tax	-	-	-	-	9	9
Stock-based compensation	-	-	105	-	-	105
Issuance of common stock	2.7	-	28	-	-	28
Common stock dividends, \$2.10 per share	-	-	11	(533)	-	(522)
Repurchase of common stock	(15.8)	(2)	(144)	(1,611)	-	(1,757)
Balances at October 30, 2021	<u>243.8</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 3,917</u>	<u>\$ 337</u>	<u>\$ 4,278</u>
Balances at August 1, 2020	258.8	\$ 26	\$ 83	\$ 3,413	\$ 256	\$ 3,778
Net earnings, three months ended October 31, 2020	-	-	-	391	-	391
Other comprehensive income:						
Foreign currency translation adjustments, net of tax	-	-	-	-	10	10
Cash flow hedges	-	-	-	-	2	2
Stock-based compensation	-	-	41	-	-	41
Issuance of common stock	-	-	6	-	-	6
Common stock dividends, \$0.55 per share	-	-	3	(145)	-	(142)
Balances at October 31, 2020	<u>258.8</u>	<u>\$ 26</u>	<u>\$ 133</u>	<u>\$ 3,659</u>	<u>\$ 268</u>	<u>\$ 4,086</u>
Balances at February 1, 2020	256.5	\$ 26	\$ -	\$ 3,158	\$ 295	\$ 3,479
Net earnings, nine months ended October 31, 2020	-	-	-	982	-	982
Other comprehensive loss:						
Foreign currency translation adjustments, net of tax	-	-	-	-	(25)	(25)
Cash flow hedges	-	-	-	-	(2)	(2)
Stock-based compensation	-	-	106	-	-	106
Issuance of common stock	2.9	-	28	-	-	28
Common stock dividends, \$1.65 per share	-	-	7	(433)	-	(426)
Repurchase of common stock	(0.6)	-	(6)	(46)	-	(56)
Balances at October 31, 2020	<u>258.8</u>	<u>\$ 26</u>	<u>\$ 133</u>	<u>\$ 3,659</u>	<u>\$ 268</u>	<u>\$ 4,086</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 United States ("GAAP"). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

During the third quarter of fiscal 2021, we made the decision to exit our operations in Mexico. All stores in Mexico were closed as of the end of the first quarter of fiscal 2022, and our international segment is now comprised of operations in Canada. Refer to Note 2, *Restructuring*, for additional information.

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

Historically, we have generated a large proportion of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021. The first nine months of fiscal 2022 and fiscal 2021 included 39 weeks.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from October 30, 2021, through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. Other than the acquisitions described in Note 13, *Subsequent Events*, no such events were identified for the reported periods.

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):

	October 30, 2021	January 30, 2021	October 31, 2020
Cash and cash equivalents	\$ 3,465	\$ 5,494	\$ 5,136
Restricted cash included in Other current assets	173	131	135
Total cash, cash equivalents and restricted cash	\$ 3,638	\$ 5,625	\$ 5,271

Amounts included in restricted cash are primarily restricted to use for workers' compensation and general liability insurance claims, and product protection plans provided under our Best Buy Totaltech™ membership offering.

2. Restructuring

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Mexico Exit and Strategic Realignment ⁽¹⁾	\$ (1)	\$ 148	\$ (45)	\$ 148
Fiscal 2020 U.S. Retail Operating Model Changes	-	(1)	-	-
Total	\$ (1)	\$ 147	\$ (45)	\$ 148

(1) Includes inventory markdowns recorded in Cost of sales on our Condensed Consolidated Statements of Earnings of (\$6) million for the nine months ended October 30, 2021, and \$36 million for the three and nine months ended October 31, 2020.

Mexico Exit and Strategic Realignment

In March 2020 the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. The COVID-19 pandemic has had significant impacts on, for example, the economic conditions of the markets in which we operate, customer shopping behaviors, the role of technology in peoples' lives and the way we meet their needs. In light of these changes, we are adapting our Building the New Blue Strategy to ensure that our focus and resources are closely aligned with the opportunities we see in front of us. As a result, in the third quarter of fiscal 2021, we made the decision to exit our operations in Mexico and began taking other actions to more broadly align our organizational structure in support of our strategy.

Charges incurred in our International segment primarily related to our decision to exit our operations in Mexico. All remaining stores in Mexico were closed in the first quarter of fiscal 2022 and we do not expect to incur material future restructuring charges related to the exit.

Charges incurred in our Domestic segment primarily related to actions taken to align our organizational structure in support of our strategy. During the nine months ended October 30, 2021, we recorded a \$44 million credit primarily due to a reduction in expected termination benefits resulting from adjustments to previously planned organizational changes and higher-than-expected employee retention.

As we continue to evolve our Building the New Blue Strategy, it is possible that we will incur material future restructuring costs, but we are unable to forecast the timing and magnitude of such costs.

All charges incurred related to the exit from Mexico and strategic realignment described above were from continuing operations and were presented as follows (\$ in millions):

Statement of Earnings Location	Three Months Ended October 30, 2021			Nine Months Ended October 30, 2021		
	Domestic	International	Total	Domestic	International	Total
Inventory markdowns	\$ -	\$ -	\$ -	\$ -	\$ (6)	\$ (6)
Cost of sales	-	-	-	-	6	6
Asset impairments	-	(1)	(1)	-	-	-
Termination benefits	-	-	-	(44)	(1)	(45)
	\$ -	\$ (1)	\$ (1)	\$ (44)	\$ (1)	\$ (45)

Statement of Earnings Location	Three and Nine Months Ended October 31, 2020		
	Domestic	International	Total
Inventory markdowns	\$ -	\$ 36	\$ 36
Cost of sales	10	48	58
Asset impairments	36	18	54
Termination benefits	-	-	-
	\$ 46	\$ 102	\$ 148

Statement of Earnings Location	Cumulative Amount as of October 30, 2021		
	Domestic	International	Total
Inventory markdowns	\$ -	\$ 17	\$ 17
Cost of sales	10	63	73
Asset impairments ⁽¹⁾	79	19	98
Termination benefits	-	39	39
Currency translation adjustment	-	5	5
Other ⁽²⁾	-	-	-
	\$ 89	\$ 143	\$ 232

(1) Remaining net carrying value approximates fair value and was immaterial as of October 30, 2021.

(2) Other charges are primarily comprised of contract termination costs.

Restructuring accrual activity related to the exit from Mexico and strategic realignment described above was as follows (\$ in millions):

	Termination Benefits		
	Domestic	International	Total
Balances at February 1, 2020	\$ -	\$ -	\$ -
Charges	36	18	54
Cash payments	(7)	-	(7)
Balances at October 31, 2020	\$ 29	\$ 18	\$ 47
Balances at January 30, 2021	\$ 104	\$ 20	\$ 124
Cash payments	(54)	(17)	(71)
Adjustments ⁽¹⁾	(44)	(1)	(45)
Changes in foreign currency exchange rates	-	(1)	(1)
Balances at October 30, 2021	\$ 6	\$ 1	\$ 7

(1) Represents adjustments to previously planned organizational changes in our Domestic segment and higher-than-expected employee retention in both our Domestic and International segments.

Fiscal 2020 U.S. Retail Operating Model Changes

In the second quarter of fiscal 2020, we made changes primarily related to our U.S. retail operating model to increase organization effectiveness and create a more seamless customer experience across all channels. All charges incurred were related to termination benefits within our Domestic segment and were presented within Restructuring charges from continuing operations on our Condensed Consolidated Statements of Earnings. As of October 30, 2021, the cumulative amount of charges incurred was \$41 million and no material liability remains.

3. Goodwill and Intangible Assets

Goodwill

Balances related to goodwill remained unchanged as of October 30, 2021, January 30, 2021, and October 31, 2020, as follows (\$ in millions):

	Gross Carrying Amount		Cumulative Impairment	
Domestic	\$	1,053	\$	(67)
International		608		(608)
Total	\$	1,661	\$	(675)

No impairment charges were recorded during the fiscal 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):

	October 30, 2021		January 30, 2021		October 31, 2020		Weighted-Average Useful Life Remaining as of October 30, 2021 (in years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Customer relationships	\$ 339	\$ 165	\$ 339	\$ 124	\$ 339	\$ 111	6.5
Tradenames	81	34	81	24	81	20	4.3
Developed technology	56	36	56	27	56	24	1.9
Total	\$ 476	\$ 235	\$ 476	\$ 175	\$ 476	\$ 155	5.7

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

	Statement of Earnings Location	Three Months Ended		Nine Months Ended	
		October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Amortization expense	SG&A	\$ 20	\$ 20	\$ 60	\$ 60

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

	Amortization Expense
Remainder of fiscal 2022	\$ 20
Fiscal 2023	79
Fiscal 2024	54
Fiscal 2025	16
Fiscal 2026	16
Fiscal 2027	13
Thereafter	43

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

	Balance Sheet Location ⁽¹⁾	Fair Value Hierarchy	Fair Value at		
			October 30, 2021	January 30, 2021	October 31, 2020
Assets					
Money market funds ⁽²⁾	Cash and cash equivalents	Level 1	\$ 313	\$ 1,575	\$ 4,119
Time deposits ⁽³⁾	Cash and cash equivalents	Level 2	625	865	84
Time deposits ⁽³⁾	Short-term investments	Level 2	-	-	545
Time deposits ⁽³⁾	Other current assets	Level 2	-	65	100
Interest rate swap derivative instruments ⁽⁴⁾	Other current assets	Level 2	-	-	7
Interest rate swap derivative instruments ⁽⁴⁾	Other assets	Level 2	58	91	95
Marketable securities that fund deferred compensation ⁽⁵⁾	Other assets	Level 1	54	53	51

(1) Balance sheet location is determined by length to maturity.

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

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

(4) Valued using readily observable market inputs. These instruments are custom, over-the-counter contracts with various bank counterparties that are not traded on an active market. See Note 5, *Derivative Instruments*, for additional information.

(5) Valued using select mutual fund performance 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, 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):

	October 30, 2021		January 30, 2021		October 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt ⁽¹⁾	\$ 1,257	\$ 1,208	\$ 1,331	\$ 1,241	\$ 1,954	\$ 1,902

(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. We also use interest rate swaps to mitigate the effect of interest rate fluctuations on our \$650 million principal amount of notes due March 15, 2021 ("2021 Notes"), prior to their retirement in December 2020, and on our \$500 million principal amount of notes due October 1, 2026 ("2026 Notes"). 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. See Note 4, *Fair Value Measurements*, for gross fair values of our outstanding derivative instruments and corresponding fair value classifications.

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

Contract Type	October 30, 2021		January 30, 2021		October 31, 2020	
Derivatives designated as net investment hedges	\$	125	\$	153	\$	68
Derivatives designated as interest rate swaps		500		500		1,150
No hedge designation (foreign exchange contracts)		106		51		81
Total	\$	731	\$	704	\$	1,299

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

	Statement of Earnings Location	Gain (Loss) Recognized			
		Three Months Ended		Nine Months Ended	
		October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Interest rate swap contracts	Interest expense	\$ (21)	\$ (32)	\$ (33)	\$ 13
Adjustments to carrying value of long-term debt	Interest expense	21	32	33	(13)
Total		\$ -	\$ -	\$ -	\$ -

6. Debt

Short-Term Debt

U.S. Revolving Credit Facility

On May 18, 2021, 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 originally scheduled to expire in April 2023, but was terminated on May 18, 2021. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in May 2026. There were no borrowings outstanding under the Five-Year Facility Agreement as of October 30, 2021, or the Previous Facility as of January 30, 2021, and October 31, 2020.

Bank Advance

In conjunction with a solar energy investment, we were advanced \$110 million due October 31, 2021. The advance was recorded within Short-term debt on our Condensed Consolidated Balance Sheets as of January 30, 2021, and bore interest at 0.14%. This advance was repaid on October 29, 2021.

Long-Term Debt

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

	October 30, 2021	January 30, 2021	October 31, 2020
2021 Notes	\$ -	\$ -	\$ 650
2028 Notes	500	500	500
2030 Notes	650	650	650
Interest rate swap valuation adjustments	58	91	102
Subtotal	1,208	1,241	1,902
Debt discounts and issuance costs	(11)	(12)	(13)
Finance lease obligations	41	38	37
Total long-term debt	1,238	1,267	1,926
Less current portion	15	14	670
Total long-term debt, less current portion	\$ 1,223	\$ 1,253	\$ 1,256

See Note 4, *Fair Value Measurements*, for the fair value of long-term debt.

7. Revenue

We generate substantially all of our revenue from contracts with customers for the sale of products and services. Contract balances primarily consist of receivables and liabilities related to product merchandise not yet delivered to customers, unredeemed gift cards, services not yet completed and options that provide a material right to customers, such as our customer loyalty programs. Contract balances were as follows (\$ in millions):

	October 30, 2021	January 30, 2021	October 31, 2020
Receivables, net ⁽¹⁾	\$ 638	\$ 618	\$ 625
Short-term contract liabilities included in:			
Unredeemed gift card liabilities	306	317	278
Deferred revenue	977	711	788
Accrued liabilities	88	71	71

(1) Receivables are recorded net of allowances for doubtful accounts of \$24 million, \$32 million and \$30 million as of October 30, 2021, January 30, 2021, and October 31, 2020, respectively.

During the first nine months of fiscal 2022 and fiscal 2021, \$1,001 million and \$792 million of revenue was recognized, respectively, that was included in the contract liabilities at the beginning of the respective periods.

See Note 12, *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		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Numerator				
Net earnings	\$ 499	\$ 391	\$ 1,828	\$ 982
Denominator				
Weighted-average common shares outstanding	246.4	259.8	249.9	259.3
Dilutive effect of stock compensation plan awards	2.7	3.9	3.0	3.2
Weighted-average common shares outstanding, assuming dilution	249.1	263.7	252.9	262.5
Basic earnings per share	\$ 2.02	\$ 1.50	\$ 7.31	\$ 3.79
Diluted earnings per share	\$ 2.00	\$ 1.48	\$ 7.23	\$ 3.74

9. Repurchase of Common Stock

On February 16, 2021, our Board of Directors approved a new \$5.0 billion share repurchase program. There is no expiration date governing the period over which we can repurchase shares under this authorization. We temporarily suspended all share repurchases from March to November of fiscal 2021 to conserve liquidity in light of COVID-19-related uncertainties. On August 24, 2021, we announced our plan to repurchase more than \$2.5 billion of shares in fiscal 2022.

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Total cost of shares repurchased	\$ 426	\$ -	\$ 1,757	\$ 56
Average price per share	\$ 115.94	\$ -	\$ 111.33	\$ 86.30
Number of shares repurchased	3.7	-	15.8	0.6

As of October 30, 2021, \$3.4 billion of the \$5.0 billion share repurchase authorization was available. Between the end of the third quarter of fiscal 2022 on October 30, 2021, and December 1, 2021, we repurchased an incremental 3.6 million shares of our common stock at a cost of \$452 million.

10. Income Taxes

Unrecognized Tax Benefits

Our income tax returns are routinely examined by domestic and foreign tax authorities. During the second quarter of fiscal 2022, we reduced our unrecognized tax benefits by \$101 million relating to multi-jurisdiction, multi-year non-cash benefits from the resolution of certain discrete tax matters, all of which resulted in a tax benefit in the second quarter.

11. 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.

12. Segments

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Revenue by reportable segment				
Domestic	\$ 10,965	\$ 10,850	\$ 32,837	\$ 27,893
International	925	1,003	2,559	2,432
Total revenue	\$ 11,910	\$ 11,853	\$ 35,396	\$ 30,325
Revenue by product category				
Domestic:				
Computing and Mobile Phones	\$ 4,901	\$ 5,059	\$ 14,460	\$ 13,130
Consumer Electronics	3,346	3,197	9,964	8,090
Appliances	1,628	1,478	4,864	3,703
Entertainment	527	509	1,755	1,430
Services	541	578	1,667	1,461
Other	42	29	127	79
Total Domestic revenue	\$ 10,985	\$ 10,850	\$ 32,837	\$ 27,893
International:				
Computing and Mobile Phones	\$ 462	\$ 531	\$ 1,230	\$ 1,211
Consumer Electronics	253	265	720	663
Appliances	87	93	260	243
Entertainment	54	50	176	156
Services	54	51	128	119
Other	15	13	45	40
Total International revenue	\$ 925	\$ 1,003	\$ 2,559	\$ 2,432

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Domestic	\$ 609	\$ 612	\$ 2,100	\$ 1,377
International	61	(61)	136	(19)
Total operating income	670	561	2,236	1,358
Other income (expense):				
Investment income and other	1	5	7	19
Interest expense	(7)	(11)	(19)	(43)
Earnings before income tax expense and equity in income of affiliates	\$ 664	\$ 555	\$ 2,224	\$ 1,334

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

	October 30, 2021	January 30, 2021	October 31, 2020
Domestic	\$ 18,518	\$ 17,625	\$ 19,525
International	1,584	1,442	1,677
Total assets	\$ 20,102	\$ 19,067	\$ 21,202

13. Subsequent Events

On October 10, 2021, we signed a definitive agreement to acquire Current Health Ltd. ("Current Health"), a care-at-home technology platform that brings together remote patient monitoring, telehealth and patient engagement into a single solution for healthcare organizations, for approximately \$400 million. The acquisition was completed on November 2, 2021, and will be included in our consolidated results beginning in the fourth quarter of fiscal 2022.

On October 18, 2021, we signed a definitive agreement to acquire Two Peaks, LLC d/b/a Yardbird Furniture ("Yardbird"), an outdoor furniture company, for approximately \$85 million. The acquisition was completed on November 4, 2021, and will be included in our consolidated results beginning in the fourth quarter of fiscal 2022.

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

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

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

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

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 30, 2021 (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

Our purpose is to enrich lives through technology. We do this by leveraging our unique combination of tech expertise and 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 operations, including our Best Buy Health business, in all states, districts and territories of the U.S. The International segment is comprised of all operations in Canada and Mexico. During the third quarter of fiscal 2021, we made the decision to exit our operations in Mexico. All stores in Mexico were closed as of the end of the first quarter of fiscal 2022, and our International segment is now comprised of operations in Canada. 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 fiscal year ends on the Saturday nearest the end of January. Our business, like that of many retailers, is seasonal. A large proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico.

Comparable Sales

Throughout this MD&A, we refer to comparable sales. 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. Stores closed more than 14 days, including but not limited to relocated, remodeled, expanded and downsized stores, or stores impacted by natural disasters, are excluded from comparable sales until at least 14 full months after reopening. Acquisitions are 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. Comparable sales excludes the impact of revenue from discontinued operations and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). Online sales are included in comparable sales. Online sales represent those 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. All periods presented apply this methodology consistently.

On May 9, 2019, we acquired all outstanding shares of Critical Signal Technologies, Inc. ("CST"). Consistent with our comparable sales policy, the results of CST are included in our comparable sales calculation beginning in the third quarter of fiscal 2021.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic. All stores that were temporarily closed as a result of COVID-19 or operating a curbside-only operating model are included in comparable sales.

On November 24, 2020, we announced our decision to exit our operations in Mexico. As a result, all revenue from Mexico operations has been excluded from our comparable sales calculation beginning in December of fiscal 2021.

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 United States ("GAAP"), as well as certain adjusted or non-GAAP financial measures, such as constant currency, non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted earnings per share ("EPS"). We believe that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide more information to assist investors in evaluating current period performance and in assessing future performance. For these reasons, our internal management reporting also includes non-GAAP financial measures. Generally, our non-GAAP financial measures include adjustments for items such as restructuring charges, goodwill impairments, price-fixing settlements, gains and losses on investments, intangible asset amortization, certain acquisition-related transaction costs and the tax effect of all such items. In addition, certain other items may be excluded from non-GAAP financial measures when we believe doing so provides greater clarity to management and our investors. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP financial measures as presented herein may not be comparable to similarly titled measures used by other companies.

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

Refer to the *Consolidated 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

Throughout the third quarter of fiscal 2022, we provided customers multiple ways to interact with us depending on their needs, preference and comfort. Similar to the first half of fiscal 2022, customers migrated back into our stores to touch and feel products and to seek in-person expertise and service. At the same time, they continued to interact with us digitally at a significantly higher rate than before the pandemic. Online sales were 31% of Domestic revenue compared to 16% in the third quarter of fiscal 2020, growing by more than \$2 billion during that time. During the third quarter, we reached our fastest small-product delivery times ever as same-day delivery was up 400% and we nearly doubled the percentage of products delivered within one day compared to last year.

Product availability continued to improve throughout the quarter. While we had areas of product constraints, we do not believe this materially limited our overall sales growth. We are proactively navigating supply chain challenges, including delays and higher costs, by making strategic sourcing and inventory decisions earlier in the year to set us up well heading into holiday, pulling up product flow, adjusting store assortment based on availability and acquiring additional, alternative transportation. In addition, we believe the deep, longstanding relationships we have with our transportation and logistics partners and our product vendors have been instrumental in helping us manage through the difficult supply chain environment.

We believe we have made the right investment decisions to position us as a leader in omnichannel retailing. We also believe there are even more opportunities ahead of us and that it is important to build on our position of strength to become even more customer-centric, digitally-focused and efficient.

During the quarter, we launched our new membership program, Best Buy Totaltech™, nationally and online. Totaltech leverages our strengths across merchandising, fulfillment, installation, tech support and product repair and is designed to give our customers the confidence that whatever their technology needs are, we will be there to help. Members receive product discounts and priority access to certain in-demand products, free delivery and standard installation, free technical support, up to 24 months of product protection on most purchases with active membership and other benefits. The goal of Totaltech is to create a membership experience that customers will love, and in turn, to generate a higher customer lifetime value and drive a larger share of consumer electronics spending to Best Buy.

We also continued to conduct several store tests and pilots during the quarter to continue our omnichannel evolution in a way that provides equal focus on all the ways customers shop with us. At the same time, we are piloting and evolving our labor models to meet our customers' changing shopping behaviors. That means leveraging technology in stores that do not have as much labor and developing a much more flexible workforce. This is a workforce that not only provides expert help across product categories both in-store and virtually, but also flexes into other activities like curbside fulfillment, and this approach also empowers employees with the flexibility to pick up shifts at other stores or at our distribution centers.

We continue to believe that we are fundamentally in a stronger position than we expected to be in just two years ago. We believe there has been a structural increase in the need for technology, and that we now serve a larger install base of consumer electronics with customers who have an elevated appetite to upgrade due to constant technology innovation and needs that reflect structural life changes, like hybrid work and streaming entertainment content. We believe our significant omnichannel assets, including our ability to inspire what is possible across the breadth of consumer electronics, as well as our ability to keep it all working together the way customers want, truly differentiate us going forward in this new landscape.

Results of Operations

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

Consolidated Performance Summary

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

	Three Months Ended				Nine Months Ended			
	October 30, 2021		October 31, 2020		October 30, 2021		October 31, 2020	
Revenue	\$	11,910	\$	11,853	\$	35,396	\$	30,325
Revenue % change		0.5 %		21.4 %		16.7 %		6.6 %
Comparable sales % change		1.6 %		23.0 %		17.5 %		8.1 %
Gross profit	\$	2,802	\$	2,795	\$	8,327	\$	7,030
Gross profit as a % of revenue ⁽¹⁾		23.5 %		23.6 %		23.5 %		23.2 %
SG&A	\$	2,133	\$	2,123	\$	6,130	\$	5,560
SG&A as a % of revenue ⁽¹⁾		17.9 %		17.9 %		17.3 %		18.3 %
Restructuring charges	\$	(1)	\$	111	\$	(39)	\$	112
Operating income	\$	670	\$	561	\$	2,236	\$	1,358
Operating income as a % of revenue		5.6 %		4.7 %		6.3 %		4.5 %
Net earnings	\$	499	\$	391	\$	1,828	\$	982
Diluted earnings per share	\$	2.00	\$	1.48	\$	7.23	\$	3.74

(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 30, 2021.

In the third quarter and first nine months of fiscal 2022, we generated \$11.9 billion and \$35.4 billion in revenue, and our comparable sales grew 1.6% and 17.5%, respectively. We continued to experience demand for technology products and services, as consumers continued to leverage technology to meet their needs, and we provided solutions that help them work, learn, entertain, cook and connect at home. Our performance resulted in operating income rate increases of 0.9% and 1.8% during the third quarter and first nine months of fiscal 2022, respectively.

See the *Segment Performance Summary* below for discussion of our Domestic and International segments' performance.

Income Tax Expense

Income tax expense remained relatively unchanged in the third quarter of fiscal 2022. Our effective tax rate ("ETR") decreased to 25.1% in the third quarter of fiscal 2022 compared to 29.6% in the third quarter of fiscal 2021, primarily due to a decrease in losses for which tax benefits were not recognized.

Income tax expense increased in the first nine months of fiscal 2022, primarily due to an increase in pre-tax earnings, partially offset by the resolution of certain discrete tax matters which occurred during the second quarter of fiscal 2022. Our ETR decreased to 18.1% in the first nine months of fiscal 2022 compared to 26.4% in the first nine months of fiscal 2021, primarily due to the resolution of certain discrete tax matters which occurred during the second quarter of fiscal 2022, as well as a decrease in losses for which tax benefits were not recognized. Refer to Note 10, *Income Taxes*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, for additional information.

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

Segment Performance Summary
Domestic

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Revenue	\$ 10,985	\$ 10,850	\$ 32,837	\$ 27,893
Revenue % change	1.2 %	21.0 %	17.7 %	6.2 %
Comparable sales % change ⁽¹⁾	2.0 %	22.6 %	18.3 %	7.5 %
Gross profit	\$ 2,571	\$ 2,604	\$ 7,703	\$ 6,509
Gross profit as a % of revenue	23.4 %	24.0 %	23.5 %	23.3 %
SG&A	\$ 1,962	\$ 1,949	\$ 5,947	\$ 5,087
SG&A as a % of revenue	17.9 %	18.0 %	17.2 %	18.2 %
Restructuring charges	\$ -	\$ 44	\$ (44)	\$ 45
Operating income	\$ 609	\$ 612	\$ 2,100	\$ 1,377
Operating income as a % of revenue	5.5 %	5.6 %	6.4 %	4.9 %
Selected Online Revenue Data				
Total online revenue	\$ 3,436	\$ 3,823	\$ 10,518	\$ 12,014
Online revenue as a % of total segment revenue	31.3 %	35.2 %	32.0 %	43.1 %
Comparable online sales % change ⁽¹⁾	(10.1) %	173.7 %	(12.5) %	191.4 %

(1) Online sales are included in the comparable sales calculation.

The increase in revenue in the third quarter and first nine months of fiscal 2022 was primarily driven by comparable sales growth across most of our product categories, partially offset by the loss of revenue from permanent store closures in the past year. Online revenue of \$3.4 billion and \$10.5 billion in the third quarter and first nine months of fiscal 2022 decreased 10.1% and 12.5%, respectively, on a comparable basis, primarily due to channel shifts in customer shopping behavior as a result of the COVID-19 pandemic.

Domestic segment stores open at the beginning and end of the third quarters of fiscal 2022 and fiscal 2021, excluding stores that were temporarily closed as a result of COVID-19, were as follows:

	Fiscal 2022				Fiscal 2021			
	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter
Best Buy	947	-	(9)	938	970	-	(14)	956
Outlet Centers	15	1	-	16	14	-	-	14
Pacific Sales	21	-	-	21	21	-	-	21
Total	983	1	(9)	975	1,005	-	(14)	991

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

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

	Revenue Mix		Comparable Sales	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Computing and Mobile Phones	45 %	47 %	(2.4) %	21.5 %
Consumer Electronics	30 %	29 %	5.5 %	21.1 %
Appliances	15 %	14 %	10.9 %	39.3 %
Entertainment	5 %	5 %	4.1 %	17.5 %
Services	5 %	5 %	(5.6) %	12.7 %
Total	100 %	100 %	2.0 %	22.6 %

Notable comparable sales changes were as follows:

- **Computing and Mobile Phones:** The 2.4% comparable sales decline was driven primarily by computing, networking and tablets, partially offset by a comparable sales gain in mobile phones.
- **Consumer Electronics:** The 5.5% comparable sales gain was driven primarily by home theater, headphones and portable speakers and health and fitness.
- **Appliances:** The 10.9% comparable sales gain was driven primarily by large appliances.
- **Entertainment:** The 4.1% comparable sales gain was driven primarily by gaming.
- **Services:** The 5.6% comparable sales decline was driven primarily by the launch of our Totaltech membership offering that includes benefits that were previously stand-alone revenue-generating services, such as warranty and installation.

Our gross profit rate decreased in the third quarter of fiscal 2022, primarily driven by lower product margin rates due to lapping low levels of promotions, product damages and product returns last year, as well as increased inventory shrink primarily due to theft. Our gross profit rate also decreased from lower services margin rates, which included rate pressure associated with our Totaltech membership offering that includes incremental customer benefits, and associated costs, compared to our previous Total Tech Support offer. These decreases were partially offset by higher profit-sharing revenue from our private label and co-branded credit card arrangement.

Our gross profit rate increased in the first nine months of fiscal 2022, primarily driven by product margin rate improvement from supply chain costs resulting from a lower mix of online revenue compared to the prior year, higher profit-sharing revenue from our private label and co-branded credit card arrangement and favorability from reduced promotions. These increases were partially offset by lower services margin rates.

Our SG&A increased in the third quarter of fiscal 2022, primarily due to higher advertising expenses and increased technology investments, which were partially offset by lapping last year's \$40 million donation to the Best Buy Foundation and lower incentive compensation.

Our SG&A increased in the first nine months of fiscal 2022, primarily due to higher short-term incentive compensation, technology investments, advertising expenses and store payroll expenses, which included \$81 million of employee retention credits in the prior year period as a result of the Federal Coronavirus Aid, Relief and Economic Security Act. This was partially offset by lapping last year's \$40 million donation to the Best Buy Foundation.

The restructuring charges in the third quarter and first nine months of fiscal 2021 primarily related to termination benefits associated with actions taken to more broadly align our corporate organizational structure in support of our strategy. The restructuring credit in the first nine months of fiscal 2022 primarily related to subsequent adjustments to termination benefits resulting from changes in our previously planned organizational changes and higher-than-expected retention rates. 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 decreased in the third quarter of fiscal 2022, primarily driven by the unfavorable gross profit rate described above, partially offset by lower restructuring charges and increased leverage from higher sales volume on our fixed expenses, which resulted in a favorable SG&A rate.

Our operating income rate increased in the first nine months of fiscal 2022, primarily driven by the favorability in gross profit rate described above and increased leverage from higher sales volume on our fixed expenses, which resulted in a favorable SG&A rate.

International

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Revenue	\$ 925	\$ 1,003	\$ 2,559	\$ 2,432
Revenue % change	(7.8)%	25.4 %	5.2 %	11.8 %
Comparable sales % change	(3.0)%	27.3 %	7.7 %	15.1 %
Gross profit	\$ 231	\$ 191	\$ 624	\$ 521
Gross profit as a % of revenue	25.0 %	19.0 %	24.4 %	21.4 %
SG&A	\$ 171	\$ 175	\$ 483	\$ 473
SG&A as a % of revenue	18.5 %	17.4 %	18.9 %	19.4 %
Restructuring charges	\$ (1)	\$ 67	\$ 5	\$ 67
Operating income (loss)	\$ 61	\$ (51)	\$ 136	\$ (19)
Operating income (loss) as a % of revenue	6.6 %	(5.1)%	5.3 %	(0.8)%

The decrease in revenue in the third quarter of fiscal 2022 was primarily driven by lower revenue in Mexico as a result of our decision in the third quarter of fiscal 2021 to exit operations and a comparable sales decline of 3.0% in Canada. These decreases were partially offset by the benefit of approximately 4.5% of favorable foreign currency exchange rates.

The increase in revenue in the first nine months of fiscal 2022 was primarily driven by the benefit of approximately 8.0% of favorable foreign currency exchange rates and comparable sales growth of 7.7%. These increases were partially offset by lower revenue in Mexico as a result of our decision in the third quarter of fiscal 2021 to exit operations.

International segment stores open at the beginning and end of the third quarters of fiscal 2022 and fiscal 2021, excluding stores that were temporarily closed as a result of COVID-19, were as follows:

	Fiscal 2022				Fiscal 2021			
	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter	Total Stores at Beginning of Third Quarter	Stores Opened	Stores Closed	Total Stores at End of Third Quarter
Canada								
Best Buy	129	-	-	129	131	-	-	131
Best Buy Mobile	33	-	-	33	40	-	(3)	37
Mexico								
Best Buy	-	-	-	-	34	-	(3)	31
Best Buy Express	-	-	-	-	14	-	-	14
Total	162	-	-	162	219	-	(6)	213

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

	Revenue Mix		Comparable Sales	
	October 30, 2021	Three Months Ended	October 30, 2021	Three Months Ended
Computing and Mobile Phones	50 %	53 %	(6.7)%	35.7 %
Consumer Electronics	27 %	27 %	(0.8)%	13.3 %
Appliances	9 %	9 %	(1.8)%	40.1 %
Entertainment	6 %	5 %	15.0 %	35.0 %
Services	6 %	5 %	(2.2)%	4.3 %
Other	2 %	1 %	17.0 %	22.0 %
Total	100 %	100 %	(3.0)%	27.3 %

Notable comparable sales changes were as follows:

- **Computing and Mobile Phones:** The 6.7% comparable sales decline was driven primarily by computing.
- **Consumer Electronics:** The 0.8% comparable sales decline was driven primarily by digital imaging and headphones and portable speakers.
- **Appliances:** The 1.8% comparable sales decline was driven primarily by large appliances.
- **Entertainment:** The 15.0% comparable sales gain was driven primarily by gaming and virtual reality.
- **Services:** The 2.2% comparable sales decline was driven primarily by our repair services.

The increases in our gross profit rate in the third quarter and first nine months of fiscal 2022 were primarily driven by improved product margin rates in Canada and sales mixing out of Mexico, which had a lower gross profit rate than Canada. The increases were also driven by \$36 million of inventory markdowns incurred in the prior year associated with our decision to exit operations in Mexico.

Our SG&A decreased in the third quarter of fiscal 2022, primarily due to lower expenses in Mexico as a result of our decision to exit operations, partially offset by the unfavorable impact of foreign currency exchange rates and increased store payroll expense in Canada.

Our SG&A increased in the first nine months of fiscal 2022, primarily due to the unfavorable impact of foreign currency exchange rates and increased incentive compensation and store payroll expense in Canada, partially offset by lower expenses in Mexico as a result of our decision to exit operations.

The restructuring charges for all periods presented primarily related to our decision to exit operations in Mexico. 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 third quarter of fiscal 2022, primarily due to lower restructuring charges and the favorability in gross profit rate described above.

Our operating income rate increased in the first nine months of fiscal 2022, primarily due to the favorability in gross profit rate described above, lower restructuring charges and increased leverage from higher sales volume on our fixed expenses, which resulted in a favorable SG&A rate.

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		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Operating income	\$ 670	\$ 561	\$ 2,236	\$ 1,358
% of revenue	5.6 %	4.7 %	6.3 %	4.5 %
Intangible asset amortization ⁽¹⁾	20	20	60	60
Acquisition-related transaction costs ⁽¹⁾	5	-	5	-
Restructuring charges ⁽²⁾	(1)	111	(39)	112
Restructuring - inventory markdowns ⁽³⁾	-	36	(6)	36
Non-GAAP operating income	\$ 694	\$ 728	\$ 2,256	\$ 1,566
% of revenue	5.8 %	6.1 %	6.4 %	5.2 %
Effective tax rate	25.1 %	29.6 %	18.1 %	26.4 %
Intangible asset amortization ⁽¹⁾	(0.1)%	(1.5)%	0.1 %	(1.1)%
Restructuring charges ⁽²⁾	-%	(3.2)%	(0.1)%	(0.8)%
Non-GAAP effective tax rate	25.0 %	24.9 %	18.1 %	24.5 %
Diluted EPS	\$ 2.00	\$ 1.48	\$ 7.23	\$ 3.74
Intangible asset amortization ⁽¹⁾	0.08	0.08	0.24	0.23
Acquisition-related transaction costs ⁽¹⁾	0.02	-	0.02	-
Restructuring charges ⁽²⁾	-	0.42	(0.15)	0.43
Restructuring - inventory markdowns ⁽³⁾	-	0.14	(0.03)	0.13
Income tax impact of non-GAAP adjustments ⁽⁴⁾	(0.02)	(0.06)	(0.02)	(0.10)
Non-GAAP diluted EPS	\$ 2.08	\$ 2.06	\$ 7.29	\$ 4.43

(1) Represents charges associated with acquisitions, including: (1) the non-cash amortization of definite-lived intangible assets, including customer relationships, tradenames and developed technology; and (2) acquisition-related transaction and due diligence costs, primarily comprised of professional fees.

(2) Represents charges and subsequent adjustments related to actions taken in the Domestic segment to better align the company's organizational structure with its strategic focus and the decision to exit operations in Mexico in the International segment.

(3) Represents inventory markdown adjustments recorded within cost of sales associated with the decision to exit operations in Mexico.

(4) The non-GAAP adjustments primarily relate to the U.S. and Mexico. As such, the income tax charge is calculated using the statutory tax rate of 24.5% for all U.S. non-GAAP items for all periods presented. There is no income tax charge for the Mexico non-GAAP items, as there was no tax benefit recognized on these expenses in the calculation of GAAP income tax expense.

Our non-GAAP operating income rate decreased in the third quarter of fiscal 2022, primarily driven by a lower gross profit rate in our Domestic segment.

Our non-GAAP operating income rate increased in the first nine months of fiscal 2022, primarily driven by a higher gross profit rate due to favorable supply chain costs resulting from a lower mix of online revenue compared to the prior year, and increased leverage from higher sales volume on our fixed expenses, which resulted in a favorable SG&A rate.

Our non-GAAP effective tax rate remained relatively unchanged in the third quarter of fiscal 2022. Our non-GAAP effective tax rate decreased in the first nine months of fiscal 2022, primarily due to the resolution of certain discrete tax matters which occurred during the second quarter of fiscal 2022. Refer to Note 10, *Income Taxes*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, for additional information.

Our non-GAAP diluted EPS increased in the third quarter of fiscal 2022, primarily driven by lower diluted weighted-average common shares outstanding from share purchases.

Our non-GAAP diluted EPS increased in the first nine months of fiscal 2022, primarily driven by the increase in non-GAAP operating income, the lower non-GAAP effective tax rate and lower diluted weighted-average common shares outstanding from share purchases.

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, credit facilities, short-term borrowing arrangements and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital management strategy, which, to a large extent, we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation, which focuses on investing in key priorities that support our strategy.

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

	October 30, 2021	January 30, 2021	October 31, 2020
Cash and cash equivalents	\$ 3,465	\$ 5,494	\$ 5,136
Short-term investments	-	-	545
Total cash, cash equivalents and short-term investments	\$ 3,465	\$ 5,494	\$ 5,681

The decrease in cash and cash equivalents from January 30, 2021, was primarily due to increases in share repurchases, capital expenditures and dividend payments. This was partially offset by positive cash flows from operations, primarily driven by earnings.

The decrease in cash, cash equivalents and short-term investments from October 31, 2020, was primarily due to increases in share repurchases, the repayment of our \$650 million principal amount of notes due March 15, 2021, capital expenditures and dividend payments. This was partially offset by positive cash flows from operations, primarily driven by earnings.

Cash Flows

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

	Nine Months Ended	
	October 30, 2021	October 31, 2020
Total cash provided by (used in):		
Operating activities	\$ 1,061	\$ 3,907
Investing activities	(707)	(1,153)
Financing activities	(2,347)	170
Effect of exchange rate changes on cash	6	(8)
Increase (decrease) in cash, cash equivalents and restricted cash	\$ (1,987)	\$ 2,916

Operating Activities

The decrease in cash provided by operating activities in the first nine months of fiscal 2022 compared to the prior-year period was primarily due to the timing and volume of inventory purchases and payments, reflecting an earlier and more pronounced build of inventory for the holiday season in fiscal 2022, as we sought to manage supply chain challenges and sustained strong demand in most product categories. As a result, our inventory balance at the end of the third quarter of fiscal 2022 was materially higher than fiscal 2021, and a larger proportion of inventory purchases had been paid for by the end of the quarter. These decreases were partially offset by higher earnings in the current-year period.

Investing Activities

The decrease in cash used in investing activities in the first nine months of fiscal 2022 compared to the prior-year period was primarily driven by a decrease in purchases of short-term investments.

Financing Activities

The increase in cash used in financing activities in the first nine months of fiscal 2022 compared to the prior-year period was driven primarily by an increase in share repurchases, which were temporarily suspended from March to November of fiscal 2021. Fiscal 2021 also included the issuance of our \$650 million principal amount of notes due October 1, 2030.

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 May 18, 2021, 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 originally scheduled to expire in April 2023, but was terminated on May 18, 2021. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in May 2026. There were no borrowings outstanding under the Five-Year Facility Agreement as of October 30, 2021, or the Previous Facility as of January 30, 2021, or October 31, 2020.

Our credit ratings and outlook as of December 1, 2021, are summarized below. On May 20, 2021, Standard & Poor's upgraded its rating to BBB+ and confirmed its outlook of Stable. Moody's rating and outlook remained unchanged from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

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 use for workers' compensation and general liability insurance claims, and product protection plans provided under our Totaltech membership offering. Restricted cash, which is included in Other current assets on our Condensed Consolidated Balance Sheets, was \$173 million, \$131 million and \$135 million at October 30, 2021, January 30, 2021, and October 31, 2020, respectively. The increases from January 30, 2021, and October 31, 2020, were primarily due to the initial funding related to the national launch of our Totaltech membership offering in October 2021.

Debt and Capital

As of October 30, 2021, 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 30, 2021, 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.

On February 16, 2021, our Board approved a new \$5.0 billion share repurchase program. There is no expiration date governing the period over which we can repurchase shares under this new authorization. As of October 30, 2021, \$3.4 billion of the \$5.0 billion share repurchase authorization was available. On August 24, 2021, we announced our plan to repurchase more than \$2.5 billion of shares in fiscal 2022.

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

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	October 30, 2021	October 31, 2020
Total cost of shares repurchased	\$ 426	\$ -	\$ 1,757	\$ 86
Average price per share	\$ 115.94	\$ -	\$ 111.33	\$ 86.30
Number of shares repurchased	3.7	-	15.8	0.6
Regular quarterly cash dividend per share	\$ 0.70	\$ 0.55	\$ 2.10	\$ 1.65
Cash dividends declared and paid	\$ 172	\$ 142	\$ 522	\$ 426

The total cost of shares repurchased increased in fiscal 2022, primarily due to the temporary suspension of all share repurchases from March to November of fiscal 2021 to conserve liquidity in light of COVID-19-related uncertainties. Cash dividends declared and paid increased in fiscal 2022 primarily due to the increase in the regular quarterly cash dividend per share.

Between the end of the third quarter of fiscal 2022 on October 30, 2021, and December 1, 2021, we repurchased an incremental 3.6 million shares of our common stock at a cost of \$452 million.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, remained relatively unchanged at 1.1 as of October 30, 2021, and October 31, 2020, and 1.2 as of January 30, 2021.

Our debt to earnings ratio, calculated as total debt (including current portion) divided by net earnings over the trailing twelve months decreased to 0.5 as of October 30, 2021, compared to 0.8 as of January 30, 2021, and 1.1 as of October 31, 2020, primarily due to higher earnings. The decrease from October 31, 2020, was also due to the retirement of our \$650 million principal amount of notes due March 15, 2021, in December 2020.

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 October 30, 2021, 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 2021. See our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, 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 30, 2021. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2021.

New Accounting Pronouncements

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," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project" and other words of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, new strategies, the competitive environment and other events. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, 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: the duration and scope of the COVID-19 pandemic and its resurgences and the impact on demand for our products and services; levels of consumer confidence; interruptions and other supply chain issues; any material disruption in our relationship with or the services of third-party vendors, risks related to our exclusive brand products and risks associated with vendors that source products outside of the U.S.; macroeconomic pressures in the markets in which we operate (including but not limited to the effects of COVID-19, increased levels of inventory loss due to organized crime, petty theft or otherwise, fluctuations in housing prices, energy markets and jobless rates); future outbreaks, catastrophic events, health crises and pandemics; susceptibility of our products to technological advancements, product life cycles and launches; conditions in the industries and categories in which we operate; changes in consumer preferences, spending and debt; competition (including from multi-channel retailers, e-commerce business, technology service providers, traditional store-based retailers, vendors and mobile network carriers); our ability to attract and retain qualified employees; changes in market compensation rates; our expansion strategies; 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 company transformation; our mix of products and services; our ability to effectively manage strategic ventures, alliances or acquisitions; our ability to effectively manage our real estate portfolio; trade restrictions or changes in the costs of imports (including existing or new tariffs or duties and changes in the amount of any such tariffs or duties); our reliance on our information technology systems; our dependence on 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 tax statutes and regulations); risks arising from our international activities; 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; 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 30, 2021, 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. 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 30, 2021, for further information regarding our interest rate swaps.

As of October 30, 2021, we had \$3.47 billion of cash and cash equivalents and \$0.5 billion of fixed-rate debt that was swapped to floating rate, resulting in a net balance exposed to interest rate changes of \$2.97 billion. As of October 30, 2021, a 50-basis point increase in short-term interest rates would have led to an estimated \$15 million reduction in net interest expense, and conversely a 50-basis point decrease in short-term interest rates would have led to an estimated \$15 million increase in net interest expense.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to our international segment 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 30, 2021, for additional information regarding these instruments.

Foreign currency exchange rate fluctuations were primarily driven by the strength of the Canadian dollar compared to the U.S. dollar compared to the prior-year period, which had a positive overall impact on our revenue as these foreign currencies translated into more U.S. dollars. We estimate that foreign currency exchange rate fluctuations had a net favorable impact of \$45 million and \$194 million on our revenue in the third quarter and first nine months of fiscal 2022, respectively. The impact of foreign exchange rate fluctuations on our net earnings for the third quarter and first nine months of fiscal 2022 was not significant.

Item 4. Controls and Procedures

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

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at October 30, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at October 30, 2021, our disclosure controls and procedures were effective.

There were no changes in internal control over financial reporting during the fiscal quarter ended October 30, 2021, 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 11, *Contingencies*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
(c) Stock Repurchases

On February 16, 2021, our Board approved a new \$5.0 billion share repurchase program. 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
August 1, 2021 through August 28, 2021	1,400,603	\$ 114.28	1,400,603	\$ 3,629,000,000
August 29, 2021 through October 2, 2021	-	\$ 0.00	-	\$ 3,629,000,000
October 3, 2021 through October 30, 2021	2,281,476	\$ 116.86	2,281,476	\$ 3,362,000,000
Total	3,682,079	\$ 115.94	3,682,079	\$ 3,362,000,000

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 third quarter of fiscal 2022, filed with the SEC on December 3, 2021, formatted in Inline Extensible Business Reporting Language ("XBRL"): (i) the Condensed Consolidated Balance Sheets as of October 30, 2021, January 30, 2021, and October 31, 2020, (ii) the Condensed Consolidated Statements of Earnings for the three and nine months ended October 30, 2021, and October 31, 2020, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended October 30, 2021, and October 31, 2020, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended October 30, 2021, and October 31, 2020, (v) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three and nine months ended October 30, 2021, and October 31, 2020, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from our Quarterly Report on Form 10-Q for the third quarter of fiscal 2022, filed with the SEC on December 3, 2021, formatted in XBRL (included as Exhibit 101).

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

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

SIGNATURES

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

BEST BUY CO., INC.
(Registrant)

Date: December 3, 2021

By: /s/ CORIE BARRY
Corie Barry
Chief Executive Officer

Date: December 3, 2021

By: /s/ MATTHEW BILUNAS
Matthew Bilunas
Chief Financial Officer

Date: December 3, 2021

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: December 3, 2021

/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: December 3, 2021

/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 Chairman and Chief Executive Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended October 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: December 3, 2021

/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 October 30, 2021 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: December 3, 2021

/s/ MATTHEW BILUNAS

Matthew Bilunas

Chief Financial Officer
