

**Hubert Joly**  
President and Chief Executive Officer



March 28, 2014

Dear Fellow Shareholders:

Our fiscal year 2014 was the first full year of our Renew Blue transformation, which we launched in the fall of 2012. I am happy to report that our transformation is off to an encouraging start as we have made significant progress on our key priorities. And, looking ahead, we continue to be excited by our opportunities and the road map we have outlined in pursuit of our long-term objectives. Let me elaborate on these two points.

Back in November 2012, we articulated our diagnosis of our situation, including our company's unique assets and the two problems we had to solve, i.e., declining comparable store sales and shrinking profit margins. At the same time, we laid out the five pillars of our Renew Blue business transformation:

- (1) Reinvigorate and rejuvenate the customer experience
- (2) Attract, grow, engage and inspire transformational leaders and employees
- (3) Work with vendor partners to innovate and drive value
- (4) Increase our Return on Invested Capital
- (5) Continue our leadership role in positively impacting our world

So, what progress have we made in the first full year of Renew Blue?

- (1) We enhanced how we serve our customers and built key foundational capabilities for the future. For example:
  - We increased our Net Promoter Score by more than 300 basis points, meaning that customers are more satisfied with their experience.
  - We significantly increased our price competitiveness and implemented a "low price guarantee," allowing us to embrace "showrooming."
  - We implemented traffic-generating and customer experience initiatives that drove a 20% increase in Domestic online sales, proving our commitment to serving the customer how, when, and where they want to be served.
  - We rolled out the "ship-from-store" capability to more than 1,400 locations, allowing us to unlock retail inventory to better serve our online customers.
  - And we re-launched our loyalty program, resulting in higher customer participation across channels.
- (2) We made progress in strengthening our management team and improving employee engagement, which, of course, is critical to our success.



- (3) We partnered with two of our top vendors to develop and launch 1,400 Samsung and 600 Windows “stores-within-a-store,” in a win-win-win arrangement that is benefiting our customers, vendors and shareholders.
- (4) In terms of financial results, we made progress in stabilizing our top-line despite industry softness, delivered cost reductions above our original target, and strengthened our balance sheet:
  - Our Domestic comparable store sales were down (0.4%); however, when adjusted for the rationalization of non-core businesses and the short-term disruption from optimizing our retail floor space, Domestic comparable store sales were essentially flat.
  - In little more than a year, we exceeded our multi-year Renew Blue cost reduction target of \$725 million by executing annualized total reductions of \$765 million, of which \$350 million were realized in FY '14.
  - While we have not yet stabilized our operating margin, cost savings and operational improvements offset the investments we made in pricing and other Renew Blue investments.
  - And we significantly strengthened our balance sheet through a renewed focus on our core businesses and a substantially more disciplined capital allocation process. In FY '14, we (1) sold our interest in Europe; (2) sold mindSHIFT Technologies; (3) restructured our IT infrastructure to accelerate strategic systems development and optimize cost; and (4) continued to aggressively optimize inventory.

Now, looking ahead, we turn to the next chapter of our transformation, one we call Renew Blue: Ignite the Possible. In this phase, we remain focused on the two problems we had to solve and our core strategy: to be the authority and destination for technology products and services.

Behind this strategy lies a clear mission for Best Buy: enrich and empower people’s lives through technology. The way we do this is by helping customers discover, choose, purchase, pay for, finance, activate, use, enjoy and eventually recycle technology products and solutions. The second part of our mission deals with our vendors, and it is to partner with them to market their products and solutions in a highly effective fashion, providing the best online and in-store showrooms.

Our transformation is a multi-year journey. Building on the momentum we have established in the first year, we will continue to address three business imperatives that are essential to our transformation:

- (1) Improving our operational performance
- (2) Building foundational capabilities necessary to unlock future growth strategies
- (3) Leveraging our unique assets to create significant differentiation that is meaningful for our customers and our vendors

Underpinning this is a couple of beliefs. One, we have significant, unique assets that we can build upon to provide a superior customer experience, including our customer database, store footprint, multi-channel capabilities, relationships with key vendors and service



capabilities. Two, we believe there are multiple growth opportunities we can pursue, including deepening our relationship with our customers and better serving them around key buying occasions.

Successfully implementing our strategy has implications across all facets of our business and we have outlined a clear road map of initiatives that we will be pursuing over the next two years. All of these initiatives are in pursuit of our long-term goal of generating an operating margin of 5-6% and a Return on Invested Capital of 13-15%.

For example:

- Our merchant teams are focused on creating compelling assortments online and in our stores with a superior end-to-end customer experience that yields enhanced financial returns. They are also working on strengthening vendor partnerships for the benefit of our customers, our vendors and our shareholders.
- Our marketing teams are focused on evolving our approach from “one-size-fits-all” to targeted, relevant and personalized marketing. They are also developing our strategy to better serve customers around key life events and gifting occasions, such as moving or marriage, which often motivate customers to make a purchase.
- Online our goal is to continue to capture share and serve customers based on how, where, and when they want to be served. Our aspiration is to present a rich end-to-end digital experience that inspires customers to select and purchase complete solutions to meet their technology needs.
- In stores, we are evolving our organization to better support the mission of retail, which is (1) the flawless execution of category and functional strategies; (2) the development and implementation of strategies that take into account local specificities; and (3) lifting performance in terms of employee engagement, sales, customer satisfaction and profitability.
- Our services team is intent on leveraging our distinct competitive advantage in Geek Squad by delivering a superior experience for customers. A reinvigorated Geek Squad will complement the products we offer and cement its proud history as the first, largest and best consumer electronics services organization in the nation.
- We will deliver on another key opportunity by further leveraging our supply chain to provide our customers with increased inventory availability, improved speed and a superior in-home delivery experience.
- Beyond this road map, we will continue to pursue cost reduction opportunities in support of our recently increased target of \$1 billion. These opportunities include returns, replacements and damages, logistics and supply chain, procurement, and the continued rationalization of our organization.



As for our International business, we continue to be focused on enhancing our performance. We are improving our online capabilities, strengthening our retail foundation and materially reducing costs.

Finally, let me say a few words about a key foundational area of focus for us, which is employee engagement. Across the company, we must have a passionate commitment to serving our customers in such an extraordinary manner that they become promoters of Best Buy. Key to achieving this goal is the talent and engagement of our people. In support of this vision, we will be pursuing a number of key initiatives including: successfully implementing our new field and store operating model; strengthening our talent in the critical areas of e-commerce and targeted, personalized marketing; enhancing our talent and performance management processes; and redefining key business processes to better support a seamless, multi-channel customer experience.

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In closing, we have an inspiring mission, which is to serve our customers and make a meaningful difference in their lives. We are on a journey to become the leading multi-channel retailer in the country: one that makes promoters out of its customers; attracts, develops and rewards outstanding leaders and associates; partners effectively with key vendors; and provides attractive returns to its investors. So, as we continue to move forward, I want to thank our teams for their dedication and hard work, our business partners for their collaboration, and you, our shareholders, for your support and the confidence you are placing in us.

Respectfully,

A handwritten signature in blue ink, appearing to read "Peter Dinklage". The signature is fluid and cursive, with a large, stylized initial "P" and "D".



### **Forward-Looking and Cautionary Statements:**

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that reflect management's current views and estimates regarding future market conditions, company performance and financial results, business prospects, new strategies, the competitive environment and other events. You can identify these statements by the fact that they use words such as "anticipate," "believe," "assume," "estimate," "expect," "intend," "project," "guidance," "plan," "outlook," and other words and terms of similar meaning. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: general economic conditions, changes in consumer preferences, consumer confidence, consumer spending and debt levels, online sales levels and trends, average ticket size, the mix of products and services offered for sale, credit market changes and constraints, product availability, sales volumes, competitive initiatives of competitors, including pricing actions and promotional activities of competitors, profit margins and the impact of pricing investments on our revenue, weather, natural or man-made disasters, the company's ability to react to a disaster recovery situation, changes in law or regulations, including changes in tax rates, foreign currency fluctuation, availability of suitable real estate locations, the company's ability to manage its property portfolio, the impact of labor markets and new product introductions on overall profitability, the availability of qualified labor pools, the company's ability to retain qualified employees. management turnover, failure to achieve anticipated expense and cost reductions from operational and restructuring changes, disruptions in our supply chain, the costs of procuring goods the company sells, failure to achieve anticipated profitability increases from operational and restructuring changes, failure to accurately predict the duration over which we will incur costs, acquisitions and development of new businesses, divestitures of existing businesses, failure to achieve anticipated benefits of announced transactions, integration challenges relating to new ventures and unanticipated costs associated with previously announced or future restructuring activities and our ability to protect information relating to our customers. A further list and description of these risks, uncertainties and other matters can be found in the company's annual report and other reports filed from time to time with the Securities and Exchange Commission ("SEC"), including, but not limited to, Best Buy's Report on Form 10-K filed with the SEC on March 28, 2014. Best Buy cautions that the foregoing list of important factors is not complete, and any forward-looking statements speak only as of the date they are made, and Best Buy assumes no obligation to update any forward-looking statement that it may make.