



A MESSAGE FROM

HUBERT JOLY, CHAIRMAN & CEO

Dear Fellow Shareholders:

Fiscal 2018 was another milestone year for Best Buy. We declared our Renew Blue transformation over and launched our growth strategy, Best Buy 2020: Building the New Blue. As I will detail in this letter, we have articulated a clear purpose, strategy and set of goals and investments in support of that strategy. Our fiscal 2018 financial performance was particularly strong, which gives us confidence that the strategy we are pursuing is resonating with customers. And, we continued to make progress in our efforts to positively impact our multiple stakeholders, including our customers, our employees, our vendors, and society.

Best Buy 2020: Building the New Blue



In September 2017, we held an Investor Day and laid out what we believe is a clear and exciting purpose: *to enrich our customers' lives through technology*. We aim to do this by addressing key human needs in areas including entertainment, productivity, communication, food, security, and health and wellness.

Best Buy is operating in an opportunity-rich environment driven by technology innovation and the customer's growing need for help. While there are, of course, pressures in areas like wages, supply chain and channel shift, our mindset is clear: We are playing to win. And we believe that Best Buy is uniquely well-positioned because of the combination of assets and capabilities that give us the ability to serve customers in stores, online or in their homes.

To fulfill our purpose to enrich our customers' lives through technology and grow the company, our strategy entails expanding what we sell and evolving how we sell, and building the related enablers.

Expand What We Sell

Below are three key examples of how we are expanding what we sell.

New Technology Solutions. We continuously work with leading tech companies to help commercialize their new technologies by leveraging our unique assets. Home theater and computing are two of our larger product categories where we have had great success in doing this and, as a result, were able to stimulate the growth of the market and hold strong share positions. Now we are doing that in the emerging smart home space. We plan to continue to grow in this space by curating a relevant and competitive assortment, demonstrating new technology solutions in a meaningful way, deploying a needs-based, solution-selling approach, and expanding in the solutions and services part of the market.

Total Tech Support. Our new Geek Squad service provides 24/7 support – in store, in home, by phone or online – for all of a customer’s technology, no matter where or when they bought it. We piloted this service offering in fiscal 2018 and are rolling out the service nationwide this year.

Health Technology Solutions. We are entering the health space with a focus on helping the aging population stay healthy at home with assistance from technology products and services. Best Buy Assured Living is our first entry into this space.

Evolve How We Sell

Below are four key examples of how we are evolving how we sell.

Online Experience. We are continuing to streamline the online buying process, enabling faster and more efficient delivery, and further enhancing the in-store pickup experience for our customers. In fiscal 2018, we generated our highest-ever domestic online revenue of \$6.0 billion, up from \$4.8 billion in fiscal 2017.

Associate Proficiency. We are continuing to invest in the proficiency of our store associates and their ability to truly connect with customers, understand what they are trying to accomplish and find solutions to satisfy their needs.

Mobile 2020. We are making it easier for customers to research and compare service plans, then purchase and set up their phones. Several hundred of our big-box stores now include dedicated vendor experiences in mobile, and we are adding more this year.

In-Home Advisor. We now provide free, in-home consultations to help customers address all their tech needs across our full range of products and services. We launched this tech-oriented “personal shopper” program last September and now have more than 350 advisors across all major markets.

Build Key Enablers

To enable our Best Buy 2020 strategy, we are investing in capabilities and tools.

For example, we are making technology investments in enterprise customer relationship management and knowledge management tools, which will help us build a more seamless and effective experience for our customers and pave the way towards a more relationship-based approach to the customer experience we offer.

We are also building out a new services platform to help power our Total Tech Support offering and provide the ability for customers to get easy and quick access to our Geek Squad tech experts, including a new app with video chat capability.

We are investing in our people through recruiting, training, development and compensation. We will continue to invest in specialty labor in areas such as appliances, In-Home Advisor and smart home.

We are also investing in the multi-year strategic transformation of our supply chain that is designed to expand our bandwidth for growth and speed.

While we invest in our long-term strategy, we are continuing to create efficiencies that help fund investments and offset pressures. In fiscal 2018, we achieved \$285 million in annualized cost reductions and gross profit optimization for a total of \$1.6 billion since we began Renew Blue five years ago.

In the context of our improved performance and the expected savings brought about by tax reform, we are increasing the level of investment in the enablers necessary to propel our strategy. Specifically, this includes investments in specialty labor, improvements to employee benefit programs, and an increase in our fiscal 2019 capital expenditure plans to \$850 to \$900 million from the expectations we shared at Investor Day of \$750 to \$850 million. This compares to an average capital expenditure of \$640 million over the last three fiscal years.

Fiscal 2021 Long-Term Financial Targets

We believe our Best Buy 2020 strategy has the potential to drive meaningful shareholder value creation. At our Investor Day last September, we set the following long-term financial targets:

- Enterprise revenue of \$43.0 billion versus \$39.4 billion in fiscal 2017, which was the last year of the company's Renew Blue transformation;
- Non-GAAP operating income of \$1.9 billion to \$2.0 billion versus \$1.7 billion in fiscal 2017;* and
- Non-GAAP diluted EPS of \$5.50 to \$5.75, which represents a 12 to 13 percent compound annual growth rate from fiscal 2017.*

The non-GAAP EPS target range reflects an update made on March 1, 2018, to incorporate the expected impact of tax reform.

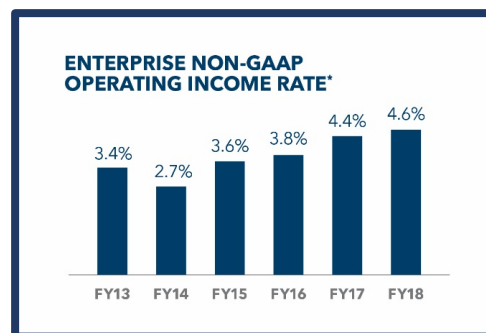
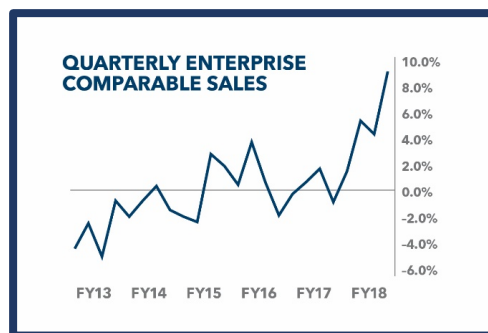
Board of Directors Involvement

Our Board of Directors plays a critical role in shaping and supporting our strategy and, more broadly speaking, the future of Best Buy. Our Board is actively engaged in discussing and helping advance the strategy of the company, ensuring that the company's talent and resources are aligned with the strategy, and overseeing our corporate social responsibility and sustainability.

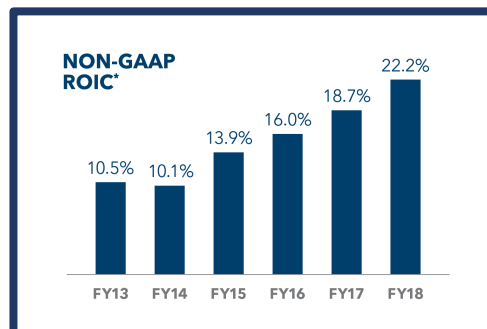
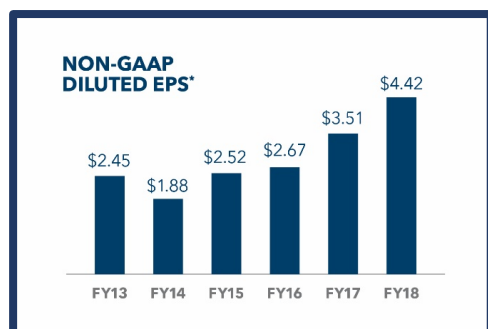
I am particularly proud of the strength of our Board. Our Board composition represents a rich, highly relevant and diverse mix of career experiences and expertise and now reflects 50 percent gender diversity.

Fiscal 2018 Financial Results

Our fiscal 2018 financial performance was particularly strong. Total revenue climbed 7.0 percent to \$42.2 billion, comparable sales rose 5.6 percent, and our non-GAAP operating income rate increased by 20 basis points.*



Non-GAAP diluted earnings per share were \$4.42, up 25.9 percent from \$3.51 in fiscal 2017.* And our non-GAAP ROIC increased to 22.2 percent, up from 18.7 percent in fiscal 2017.*

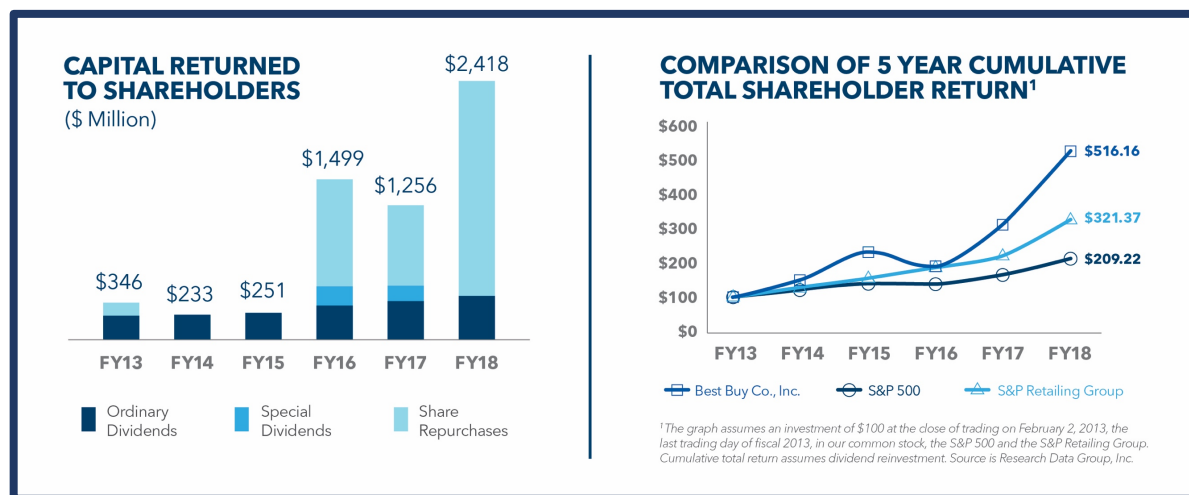


Note that fiscal 2018 was a 53-week year, which added approximately \$760 million in revenue, 10 basis points of non-GAAP operating income rate and \$0.20 of non-GAAP diluted EPS over fiscal 2017, which was a normal 52-week year.*

Capital Allocation and Return to Shareholders

Our capital allocation strategy is to fund operations and investments in growth, including potential acquisitions, and then return excess free cash flow over time to shareholders through dividends and share repurchases. We continue to target a non-GAAP dividend payout ratio between 35 and 45 percent.*

In fiscal 2018, we returned a total of \$2.4 billion to shareholders through dividends and share repurchases, up from \$1.3 billion in fiscal 2017. In aggregate, for the past several years, we have been generating a total shareholder return well above the S&P 500.



Corporate Social Responsibility & Sustainability

We believe businesses exist not only to deliver value to shareholders, but also to positively impact our various stakeholders, including society, and contribute to the common good. This holistic focus is a key responsibility our management and Board take seriously. Here are a number of ways we reflect this approach:

Company Strategy. We have anchored our strategy around a clear purpose of enriching customers' lives through technology. We also have a clear set of values, as reflected in our Code of Business Ethics. We think that having our employees focused on our purpose and a clear set of values is a key driver of both performance and sustainability.

Employees. We are proud of the environment in which our employees operate, and of the strong levels of employee engagement and satisfaction we are achieving. We invest in the long-term development, effectiveness and engagement of our employees by working to ensure that we have a diverse workforce and inclusive environment, robust training and development programs, and a culture where our people can thrive. We received a perfect score of 100 in the Human Rights Campaign Foundation's Corporate Equality Index and are ranked tenth in the world for employee training and development by *Training Magazine*.

Vendors. We partner with our vendors to help commercialize their innovations and bring them to life for the consumer. The company accomplishes this through customer-focused curation of the technology it sells online and in stores; effective, targeted marketing that reaches millions of relevant consumers; in-store demonstrations offering hands-on experiences for customers; needs-based selling expertise designed to solve problems and address lifestyle needs; and services that support customers in installing, setting up and operating their technology.

Supply Chain. We partner with our exclusive brand suppliers to ensure they meet our expectations for safe workplaces where workers are treated fairly. We perform audits, led by either us directly or third parties, to identify any gaps in factory performance and the industry standard code of conduct established by the Responsible Business Alliance. We also provide supplier training and assist in program development to support best practices in relation to conflict minerals, customs and trade anti-terrorism measures, and factory labor conditions.

Environment. We are committed to managing our impact on the environment and are proud of our efforts to lower our carbon footprint, reducing it by 60 percent by 2020. We operate the most comprehensive e-waste recycling service in the U.S. and have collected more than 1.5 billion pounds of e-waste for recycling since 2009. We are also committed to providing an assortment of sustainable technology, including ENERGY STAR® certified products, and have helped customers realize \$707 million in utility savings since 2009.

Community. We are particularly excited about the commitment we have made to help prepare 1 million underserved teens for tech-reliant jobs each year by 2020. This will be accomplished through the operation of our Best Buy Teen Tech Centers (year-round after school programs), which we plan to expand from 15 today to 60 by 2020; career mentoring and internship opportunities through our Career Pathways Program; hosted Geek Squad Academy events (free, interactive technology camps) across the country; more than 100,000 employee volunteer hours each year; and partnerships with other organizations.

As I hope you can tell, we are proud of the progress made in fiscal 2018 and are enthusiastic about the work ahead.

Our company is a human organization. It is the energy and passion of our associates that drives our performance. The effort and dedication I witness every day across the organization is inspiring, and I want to extend my gratitude to each of my colleagues for all they have done and continue to do in support of our mission to enrich lives through technology.

I also would like to thank you, our shareholders, for your continued support, confidence and partnership. We have an exciting future ahead of us and deeply appreciate the trust you have placed in us.

Respectfully,

A handwritten signature in black ink, appearing to read 'Hubert Joly', with a stylized, cursive script.

Hubert Joly, Chairman and CEO

Best Buy Co., Inc.

* Please refer to the last three pages of the company's 2018 Annual Report for (a) definitions and reconciliations of "GAAP to non-GAAP" and "non-GAAP return on invested capital", (b) information about forward looking non-GAAP financial measures, and (c) information about the forward-looking statements in this letter.