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BBY - Best Buy Co Inc Investor Update Meeting

EVENT DATE/TIME: SEPTEMBER 25, 2019 / 2:00PM GMT

CORPORATE PARTICIPANTS

Asheesh Saksena *Best Buy Co., Inc. - President of Best Buy Health*

Corie Sue Barry *Best Buy Co., Inc. - CEO & Director*

Matthew M. Bilunas *Best Buy Co., Inc. - CFO*

Mollie O'Brien *Best Buy Co., Inc. - VP of IR*

R. Michael Mohan *Best Buy Co., Inc. - President & COO*

Robert L. Bass *Best Buy Co., Inc. - Chief Supply Chain Officer*

CONFERENCE CALL PARTICIPANTS

Anthony Chinonye Chukumba *Loop Capital Markets LLC, Research Division - SVP*

Caroline Conway;AllianceBernstein;AVP Retail Equity Research

Curtis Smyser Nagle *BofA Merrill Lynch, Research Division - VP*

Gregory Scott Melich *Evercore ISI Institutional Equities, Research Division - Senior MD*

Michael Lasser *UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines*

Michael Baker;Nomura Securities;Analyst

Paul David Kearney *Wolfe Research, LLC - Research Analyst*

Peter Jacob Keith *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Raymond Leonard Stochel *Consumer Edge Research, LLC - Analyst of Entertainment*

Scot Ciccarelli *RBC Capital Markets, LLC, Research Division - MD & Consumer Discretionary Sector Analyst*

Scott Mushkin;R5 Capital;Founder and Chief Executive Officer

Simeon Ari Gutman *Morgan Stanley, Research Division - Executive Director*

Steven Paul Forbes *Guggenheim Securities, LLC, Research Division - Analyst*

PRESENTATION

Mollie O'Brien *- Best Buy Co., Inc. - VP of IR*

(presentation)

Good morning, everyone. My name is Mollie O'Brien, I'm on the Investor Relations team here at Best Buy. We are very happy to welcome you all to this beautiful room at the New York Stock Exchange. We also want to give a warm welcome to all of you joining us via the webcast.

So as it states on the slide behind me, today's presentation includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and the company undertakes no obligation to update or revise such statements to reflect events or circumstances that may arise after today's event. Today's presentation also contains non-GAAP financial measures that exclude the impact of certain business events. GAAP to non-GAAP explanations and reconciliations can be found on our website, investors.bestbuy.com. They're also at the back of your printed materials.

There are several members of our executive team here today to provide you an update on the progress we are making on our Building the New Blue strategy. Today, you'll be hearing from Corie Barry, our Chief Executive Officer; Mike Mohan, our President and Chief Operating Officer; Asheesh Saksena, our President, Best Buy Health; Rob Bass, Chief Supply Chain Officer; and Matt Bilunas, Chief Financial Officer.

We'll be taking a 15-minute break, approximately 12 p.m. Eastern Time today. After that, we will finish with the Q&A session, so we'd ask that you'd save your questions until that Q&A session. Media is in the room today but won't be participating in that Q&A session. I would like to remind everyone to please put your cell phone and other devices on silent mode, please.

And now, I could not be more excited to welcome to the stage, our CEO, Corie Barry.

Corie Sue Barry *- Best Buy Co., Inc. - CEO & Director*

Thank you, Molly, and thank you all for attending, either here in the room or joining us on the webcast. It's an honor to represent the men and women of Best Buy as my colleagues and I provide an update and more color regarding our New Blue strategy and what we see as the road ahead. Before I start though, there is one person in the room that I would like to recognize and without whom none of this would be possible, Hubert Joly, our Executive Chairman and the former CEO of Best Buy.

There are many positives about being the CFO before becoming the Chief Executive, but the one I'm most mindful of today is that, in the literally hundreds of meetings I've had with many of you, I've heard the questions, concerns, many suggestions about our business. Here's the good news: I value the feedback, and we intend to address many of those questions here today.

Over the next 2 hours, we will walk you through our progress to-date, share with you how we view the opportunities ahead and explain in some detail how we'd like to move our strategy forward. One point of clarity, our presentation today will focus mainly on our domestic business similar to the presentation we did 2 years ago. Many of the attributes of the strategy, however, are applicable to our Canada and Mexico business models as well.

When we're done, we hope to leave you with 4 main thoughts: One, our strategy is working, and it's the right one. Two, as we continue to execute, our strategy will continue to unlock profitable growth. Three, we have some specific examples of just how we'll do this. And four, we've set aggressive but achievable targets for ourselves as tangible examples of the outputs of our strategy.

Before we dive deeply, and I thought it would be helpful to ground ourselves in the numbers. So what you see here are the targets we laid out at our 2017 Investor Day and our corresponding fiscal '19 actuals. We grew our top and bottom line significantly since -- in the years since we last met, and while the dollar amount of the goal is just shy for earnings per share, the returns are outsized on a 2-year CAGR. Please keep in mind that we did adjust the FY '21 EPS targets for the corporate tax reform, so this is an apples-to-apples comparison.

All of our stakeholders have benefited from this proven ability to execute, and it is this exceptional team that has made this possible. Fortunately, many of the same people who help make this happen are hard at work on the next chapter of our strategy.

Aside from the financial success, we have also accomplished a great deal toward our overall strategic goals in just the last 2 years. Our success all starts with our people, and we have made meaningful investments in them, including substantially enhancing benefits programs and investing in new and different ways to train our employees.

We grew the in-home consultation program, which now has more than 600 In-Home Advisors throughout the country. We launched Total Tech Support, and it now has almost 2 million members, only a year after we rolled it out. We invested heavily in our supply chain, making us much faster in our speed of delivery, as Rob is going to spend some time talking about. We entered into new vendor partnerships with Apple, Amazon, Google, further strengthening our relationships with these amazing companies and also much better serving our customers.

We made 3 acquisitions in support of our health business, all of which Asheesh is going to talk about later. And this year we launched our lease-to-own program, backed by a trusted partner, which gives us the opportunity to serve a largely new and incremental customer.

And on top of all that, we achieved $730 million in cost savings, bringing our round total since 2013 to $2 billion. Our customers are noticing this momentum, as we have earned substantially higher customer satisfaction scores across every facet of the company. When we put it all together, our customers' experience metrics show us that customers love their experience, and we'll talk about -- a little bit about that more in a minute.

Our strategy is working and as a result, we've increased our share of wallet over 200 basis points over the last 2 years. These are amazing accomplishments in 2 short years and are a direct testament to delivering products, services and solutions in ways that others simply cannot.

Given our financial performance and demonstrated ability to execute, it should come as no surprise that we continue to be bullish on our investment thesis, and our thesis has not broadly changed. If you were in the room in 2017, it looks pretty similar.

But I want to take a moment to highlight a few areas that have been even more deeply reinforced by our experience. First, our experience is certainly underscored, point one. This is an environment driven by constant innovation and customers who need help selecting and using their technology. Second, as noted in point four, we have many significant sources of differentiation that cannot be easily duplicated in the marketplace. Our broad base of Geek Squad agents, In-Home Advisors, our amazing Blue Shirts and our exceptional digital experiences provide customers a unique combination of ways that they can work with Best Buy on their terms. And third, we added the importance of vendor partnerships to our investment thesis, which was not on our list in 2017 based on our learning so far.

Not surprisingly, we believe our strategy will continue to reinforce this thesis as it delivers phenomenal results across our constituencies. Of course, to do this, we needed new key performance indicators and appropriate time frame to drive change of this magnitude.

So we are targeting 3 specific goals to be accomplished by fiscal 2025. Our first goal is related to our most important and precious asset, and that is our people. Best Buy is an incredibly human organization with so many tenured leaders that started their careers as part-time or seasonal associates and have worked their way up. Their dedication to our mission, their purposeful leadership and their commitment to our customers and each other is part of what makes Best Buy so incredibly special.

Our people are truly the link that makes all this possible. Their love for this company and their commitment to go the extra mile for our customers is a unique asset, one that's also been proven to drive better shareholder returns, as Matt will highlight later.

I get customer and employee letters every day, sometimes from the people in this room, detailing amazing stories of our teams going above and beyond. We literally have Best Buy birthday parties. We have meals provided to our associates from customers out of appreciation. We even have employees donating organs to each other. That is a true story.

When you have such an exceptional and proven team, it's imperative we continuously improve their experience and, therefore, hold ourselves to a high standard in terms of engagement. The way in which we describe this goal is simply to be among some of the best places to work in America. We believe the Fortune Best Companies list does a good job, including the multiple components that make a company a premier employer, and we commit to being on that list on an ongoing basis.

At the same time, we will enhance our internal measures of employee engagement. We'll invest in ongoing leadership development, dedicated diversity and inclusion efforts and ongoing training and recognition as ways of complementing and building on this goal so that we make this a company people want to work for and make it easier for our associates to help the customers and providing exceptional customer experience.

On that point, we are also reengineering ourselves around the customer, putting her at the center of everything we do and focusing on the relationship we have with her. Our improved NPS scores are one indicator here, and we'll continue to iterate on best customer experiences based on feedback.

We also want to engage more deeply and frequently with our customers. As such, the second goal is to double the number of significant customer relationship events to 50 million with a focus on those areas where our customers have told us they love us and we believe translate into long-term growth. Right now, they include Total Tech Support and other paid memberships; homes visited through In-Home Consultations and other services; active digital engagement, primarily through our app but also through other direct digital means; financial services provided; and senior lives supported.

Delivering on these 2 goals with our customers and employees will directly translate into a differentiated and experiential model. This model, it is equally clear, can build the kind of long-term deep relationships with our customers and employees that, over time, create the type of growth that we aspire to. Only our dedicated associates, selling and supporting stuff that customers love, can create this type of relationship. You guys know it in your life, when you go in, excited by cool tech, a great Blue Shirt helps you. It's seamless. It's exciting. And you want more.

Our financial goals, which Matt will discuss in greater detail later, are then anchored in this strategy and call for us to deliver growth and meaningful shareholder returns over time. Specifically, by fiscal 2025, we are targeting $50 billion in revenue and a 5% non-GAAP operating income rate, growth made possible strictly through our differentiation.

With these goals in mind, we are excited to build on what we've learned in the past 2 years and begin the next phase of our journey, which we are calling, very cleverly, Building the New Blue: Chapter Two. Chapter Two comprises the same strategy but is fueled by enhanced insights, a more refined focus and a continuing commitment to underwrite the cost through efficiencies.

Chapter Two is also grounded in our environment -- our view of the environment in which we operate. We absolutely see our environment as opportunity-rich, and we want to provide a bit of color on that for you.

First, the CE industry is actually more stable than many believe. Second, technology innovation has not stopped and, in our view, will only continue to ramp. Third, our deep understanding and unique understanding of customer needs is matched only by our equally deep and unique ability to meet those needs. And finally, we'll continue to build a suite of services that can and will build deeper customer relationships.

Let's start with a little bit more on the CE industry. Our view of the CE category begins with this simple graph where CE is shown using the thick yellow line. It shows that, over more than 2 decades, consumer electronics continues a very steady line of growth. This runs counter to what may be the conventional but inaccurate wisdom that we work in a volatile and cyclical industry. The frequency of innovations and introductions across categories creates a portfolio effect that diversifies away much of the perceived industry volatility.

While this line does have dips, it remains relatively stable even in times of economic slowdown. This points to the less discretionary nature of the products we sell than people believe. To help debunk this belief, we update this chart every year, and every year, the industry line holds remarkably steady.

Interestingly, you can also see that the CE category is at least as stable as overall durable goods. These charts show the standard deviation of growth rates at the total durable goods and CE category level as well as at each individual category level. On your left, we show the long-term view, which is over 8 years with the shorter-term view on your right.

While there are clearly fluctuations within specific categories at any given point in time, the total level of volatility is actually quite low, and this has held true even in the more recent shorter-term past, hence, the reason we gave you the 2 different snapshots.

Perhaps surprisingly, people spend a similar portion of their wallet on CE year in and year out, pointing to the real opportunity that can exist when you can unlock what's possible, which brings me to the subject of technology innovation. One of the reasons the CE category continues to grow is that technology innovation has been and continues to be prolific. And this comes in a variety of forms, everything from continued innovation, like what we've seen in televisions, to completely new categories, like how health is being disrupted by technology, even to areas like source where you're starting to see something like 5G.

So take an example, as 4G starts to reach its maximum benefit to the consumers and the industry, 5G appears just over the horizon. This is a new technology that will start to roll out at the market level next year and has the impact to potentially materially change how people connect their devices, particularly in their homes. Likewise, as digital health devices reach a point where they offer distinct but somewhat narrow benefits, we're starting to see groundbreaking ways in which technology can readily and broadly benefit people's health even more so in their homes.

Every day, new innovations are creating new ways to work out with 1,000 other people in your basement, ways to monitor your baby's heart rate and oxygen levels through a sock on their foot and the ability to take care of your loved in their home.

Our scale and focus on consumer electronics means we commercialize new technology in ways that our competition simply cannot. As an example, there's nowhere else to go to see the full lineup of what's possible in computing, from Windows to Apple products like the Mac, from Chromebooks to the most high-end gaming computers, we showcase it all, and our engaged and trained Blue Shirts know how to help you purchase. Technology will continue to evolve, and we are best uniquely suited to bring the stuff people love to market.

This doesn't happen without some effort, of course. Our vendors are spending billions of dollars in R&D, and all of them want to partner with us to help highlight these technology innovations. As this fact from PwC's Global Innovation study shows, more than half of the top-10 corporate R&D budgets in the world are held by consumer electronics companies, all of which have a presence in our stores. The money they spend to research and develop future technology drives constant innovation and plays more closely to our strengths than anyone else in the marketplace.

And all this innovation can cause our customers real stress. According to Kantar's U.S. monitor survey from 2018, 50% of customers indicate being overwhelmed by the amount of technology in the world today. While technology products are often seen as simple when you take them out of the box, making them work together on entirely different operating systems can actually be relatively difficult. Adding new products or features is tricky, particularly given that no home works on a single operating system.

Our customers purchase across brands and ecosystems. Think of it this way, the #1 operating system for TVs is often the manufacturer. The #1 in voice is Amazon. The #1 operating system in tablets is iOS. The #1 for mobile phones, Android. And the #1 computing system is Windows. We stand alone as the only place for customers to go to navigate this landscape and the only brand that can support this level of complexity. And we remain agnostic to the provider worried only about what the customer really wants to accomplish.

So then comes the question of what it is that we uniquely do for our customers? In order to fully answer that question, let me take you through a couple graphs. Let's first talk about scale. We are the market share leader in the context of our conventional sizing of the market. That market, by the way, remains very fragmented with over 40% maintained by thousands of smaller players. It remains fragmented because niche players offer localized services, specialized to meet their customers' needs. These are, of course, services that, if performed at scale, are quite differentiated from any other CE experience and are exactly what we're working on developing. This remains an expensive low-margin business, making our scale and experience increasingly valuable and even more right for our strategy of tech and touch.

On your right, you can see how we are starting to redefine the market and finding very real growth potential beyond simply gaining share in existing categories as we define them. We'll spend more time on this concept in a moment, but this is where we create new markets or enter those that may not have been applicable before addressing the full stack of real, everyday human needs.

So how do we differentiate on both sides of the slide? Well, we started with better understanding what makes customers love us. When we ask customers what they value when it comes to purchasing technology products, you can clearly see that what they want is help selecting, troubleshooting, maximizing and personalizing their technology. This is fantastic news because we have a unique set of assets and advantages in this space, meaning, we offer a suite of services that others do not and have continued to refine those services as we learn more about what customers really need.

We've talked also a little bit about brand love, but what does it mean to love a brand? I get the opportunity to talk to you about the science of love. Our analysis shows that customers love a brand because it has 3 main attributes. First, as you'd expect, a brand must maintain exceptional retail fundamentals. These are things like competitive prices, knowledgeable associates with expert unbiased advice and information necessary to make a decision. We have always been focused here, and we are an industry leader in many key attributes in this area, enabled by our engaged and trained associates and our materially improved digital experiences.

Second, a brand must provide a seamless customer experience, allowing me to shop when, where and how I want with convenient delivery options and easy website navigation. We've improved here across our business, enabled by both our investments in technology as well as ease of navigation across our channels.

Third, the brand must provide a differentiated support and service, the kind that a customer needs to allow for more confident decision-making as they seek to get the most out of their technology. And this is the best news. We already lead in support and services, and we continue to improve year-after-year.

As we continue to enhance our offerings, focus on the real needs of our customers, they're giving Best Buy -- the brand of Best Buy more credit and more love. And while we're leading, there's still vastly more opportunity. This is our key differentiator.

And so why does it matter? We know that customers who disproportionately love the brand are some of the most loyal and lead to the largest lifetime customer value. If you think about what defines brand love, many of the relevant technology needs I showed you 2 slides ago, the things people want, align really well with the significant customer relationship event goal I talked about at the beginning, like helping you in your home or even an amazing experience in our app.

What this slide shows is that when you do this and you create people who really genuinely love the brand, it translates into 1.5x long-term revenue value per customer. What this means is that, by doubling the number of significant relationship events over the next 5 years, we create more people who love the brand, and it translates into literally billions in revenue opportunity. In short, our ability to keep customers loyal to our brand by creating deep relationships with them is not just a differentiator in the marketplace, it's key to our continued growth.

And that leads me to talk briefly about how we build deeper customer relationships at scale. The essential element to these deeper relationships is, of course, the services we offer. To reach our full potential and deliver on customer needs, we have broadened our definition of services to be more than what you see on the services line of the 10-Q, which is represented here in yellow. Services is really a collection of our unique offers that translate into sticky customer relationships over time. As Mike will discuss in a few minutes, in some instances, these are paid services, like Total Tech Support or Office 365. But in others, importantly, they are free services, like In-Home Consultations.

In support of both, we have 20,000 Geek Squad agents, 600 In-Home Advisors, 900 Magnolia system designers, millions of credit card customers and 1 million seniors we serve. And we have the expertise supported by experience in our stores, in homes, on the phone, via chat remotely and online.

Not only are these services appreciated by our customers, our vendor partners also value them. This is exemplified by offers, like the sale of AppleCare in our stores or even the rollout of the Apple authorized service provider program. And Apple agrees that the repair service we provide on their products is as good as what they offer in their own stores.

Our vendors think of our service capabilities much more broadly. For example, we now offer online trade-in of mobile phones, a subscription purchase option in computing allowing you to consistently upgrade your technology and the ability to demo a product in your own home.

Our growing capabilities in this space mean that the potential for future vendor partnerships remains incredibly exciting. These services drive the deeper customer relationships we strive to create.

Let me give you a couple of discrete examples. First, customers who had a service experience with us engage more deeply than those who have not. They're more likely to open a Best Buy e-mail, or they're more likely to spend time on our website, as examples.

Second, having the Best Buy Credit Card is a key driver of lifetime customer value, our second largest driver, in fact. Third, our content on other sites like the Best Buy Lab on YouTube, check it out, overindex on consumers intent to take action after watching, meaning they go do something when they see it.

And finally, in our most recent quarter, our online conversion rate was nearly twice as high as our baseline rate when a customer used an online buying guide. Importantly, the goal of service is not just to drive the service revenue line or individual profitability. The goal of the services we provide is to strengthen our customer relationships, providing a combined suite of attributes that no other retailer can match.

So with all that said as backdrop, let me turn now to Chapter Two of Building the New Blue. While the strategy has been updated, our purpose remains the same. We are here to enrich lives through technology. This is not a tagline. It's who we are in our core. And it represents the promise that tech brings to our lives literally every single day. In fact, we have countless examples of the meaningful ways in which technology connects families, makes us healthier and entertains us.

This purpose also gives us the strategic freedom to think more broadly about the role we play for our customers and, frankly, society. Best Buy Health, for example, is the direct result of our conclusion that our purpose as a company is not just to sell products, it is to enrich lives.

Once we collectively agreed to our purpose, we had to consider how we would bring it to life. As you may recall from 2017, we focus on addressing everyday key human needs and, ultimately, on how we would build deeper relationships and more relationships with customers by leveraging our unique assets. We call these assets tech and touch.

So what does that mean? Customers love the tech we sell, and they enjoy engaging with it. And they often need a little bit of human help and intervention to get the most out of it, right? They want it delivered, installed and explained. They want it connected to their network. They want to pick up a product in our stores so they're not worried about it sitting outside the front door. They want a product and a concierge service for their loved one. They want to know why Netflix isn't streaming in their home.

We're at our best when we're not just selling the right product or offering the right service. We're at our best when 50 years of product and customer insights combine with 20 years and tens of millions of house calls to produce a customer experience no one else can deliver.

The goal is to take this combination of tech and touch and by leveraging our scale and market position as the CE expert, build deeper long-term relationships with our customers. Put most simply, think of us as the Chief Technology Officer for your home. We're there to help you make the right decisions when you're buying. We're going to help you keep it working the way you want. We can even help your mom, if that's what you'd like. We all know how important a CTO is in our professional life, and our intent is to become that for your personal life.

In order to do this, we did more work to refine our definition of the range of true everyday human needs that we believe we need to address. Based on deep ethnographic customer research, meaning we watch customer behavior, we just didn't ask them about it, we have come to 6 prevalent customer needs. You can see them listed here. They are a refined version of the needs that we presented 2 years ago, and they offer pools of opportunity that are already being disrupted in the very best way by technology.

You can imagine pet care, security, predictive health, even vacations are all somewhat unconventional places where technology is already starting to enrich lives differently. This allows us to think about what the customers wants to accomplish versus what we want to sell them, and it opens up really massive pools of opportunity for us.

For example, buying a TV is not just about taking it home and throwing a TV on the table. It's about the how the family uses it, how the teenager uses it for gaming -- I know this -- or how a parent uses it to watch Game of Thrones, or how the extended family uses it to watch football on Sundays, where my dad has to have his own separate remote. And IHA, our designer, can more fully understand how you and your family live and, as a result, offer you the uniquely perfect experience just for your house.

By fully addressing a customer's needs, as I described, we dramatically expand the market potential. As this slide shows, we went through the work of mapping all personal consumption expenditures against everyday human needs, culling it down to the areas we felt were most addressable. The starting box is our typical product and service definition. You can imagine things like appliances, video and audio equipment, basic related services. The next block in this build includes categories for which our role is evolving, sporting equipment and supplies, therapeutic equipment, home health care, moving services are all examples here. We're not saying we're going to address every single category, but we do believe that technology is evolving at a very rapid pace, addressing customer needs and present material incremental opportunity for Best Buy uniquely.

Let's take a discrete example of this market sizing approach. In the past, we may have simply looked at the core retail technology products aimed at seniors and quantified that as the addressable market. This would include things like cell phones, [Purs] or the neck wearable devices or tablets.

If we expanded that definition to include the services more geared around health and safety, think urgent response, fall detection, concierge help, these are services seniors need and want to stay in their homes, that addressable market more than doubles.

These are offerings we are incredibly well suited to provide, and they materially expand the market potential while creating more fulsome customer-oriented solutions, so much more than products on an end cap. This combined opportunity represents a doubling of the total addressable market that existed when we sold only health devices.

We do this all, of course, so our customers will love us, and at the same time, unlike profitable growth. As we've spent more time navigating the strategy, it has become clear that there are 4 distinct ways our strategy translates to growth and shareholder value creation. First, we can better serve existing customers, illustrating for them the art of what is possible and as a result, growing our share of wallet. Second, we can capture new demand, bringing in incremental customers to Best Buy through unique offerings and services. Third, we can enter new spaces like health, where technology is expanding rapidly and where we can leverage our strengths in ways that enrich the life of the aging consumer and help their families. And finally, we will continue to build capabilities and drive operating leverage through thoughtful investments and ongoing efficiencies in the business.

To talk about how we will do this for our customers, I will soon turn the stage over to Mike Mohan, our President and Chief Operating Officer. But before I do, I hope you can see how excited I am by the potential opportunities in front of us. We are truly confident that our strategy will continue to unlock growth and inspire our customers and our employees.

And with that, I'd like to introduce Mike Mohan.

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

Thank you, Corie. And good morning, everyone. As Corie just said, our strategy is to unlock profitable growth, and so I get the pleasure of spending the next few minutes of telling you where and how we're going to do that. Increasing significant customer relationship events starts with better serving our existing customers, so let's jump in there.

We're already doing an incredible job with these customers, and since we last updated you, we have made progress in many aspects. Some of the ones we're most proud of we've noted on the slides in your book and the information behind me. One of the key factors is, the growth of our online business, which now represents 17% of Best Buy's overall revenue. We've made targeted and specific investments in every place we interact with our customers. We do this purposely to drive the outcomes that we thought would make us the best multichannel retailer. We're at a point now though trying to grow significant customer relationship events. We're going to need to move past being the best multichannel retailer. We're going to need to move to a place where we can be the trusted omnipresent retailer, one who truly knows you and we can enrich our lives with the use of technology.

To do that, we needed to see how well we were doing with our customers in all the places they're interacting with us today. And we've used our enhanced customer experience design capability to address how we should go after increasing significant customer relationship events. This research, combined with what we are hearing from our customers being in their homes, showcased what Best Buy was doing really good but also showed where we had some areas that we needed to address.

These are customers who already love Best Buy, but they want a better relationship with us and navigating us in our many different teams and peoples and brands sometimes can be too difficult. We know an operating model to win in the home, the most precious place we're going to operate but also address ways to operate with customers across all of Best Buy.

So we needed to do something. We reorganized our business. Until recently we were a collection of businesses, 4 business. We had a stores business, an online business, a home business and a service business, all optimized to do great things, all with their own structures and processes, all with their own key performance indicators, all doing great things that delivered some of the results that we've achieved over the last 5 years. But our best customers were interacting in all of these places. And we realized if we could make the interaction points between these more seamless in the markets where these customers lived and work, we could drive growth for Best Buy. Creating a model that would enable this is something that we pursued.

To embark on a change of this magnitude needs planning and it needs a lot of input. We sought input from hundreds of our team members, the very ones who are actually going to be deploying the model in the markets where they live. These team members can see what we do great. They also see when things aren't working the way they're supposed to because they, quite frankly, were already working around the model we had in place.

We deployed this new market operating model across the United States in June, and it's the biggest way -- it's the biggest change in the way we operate Best Buy's business since we removed commission-based compensation 30 years ago. The significant changes are noted on your slides, but I wouldn't mind reviewing just a couple with you because it represents a different way in how we're going to address running Best Buy.

We have pushed decision-making closer to the customer, giving flexibility to the teams that meet them to have resources where they need to. We have enhanced our customer and market-based analytics and access to them to enable these localized teams to make better decisions. We've moved from multiple inputs to a form of a center of excellence, so we have -- now the market's pulling down feedback and support as they need it, and we've created new market-level key performance indicators, eliminating hundreds of computing business and other channel scorecards. All of this has been enabled with a changed management plan to help our leaders change the way they work.

We just talked a little bit about why we needed to change to support driving significant customer relationship events, and I gave you a few highlights on what we actually change, and so here's a quick snapshot. We're only 3 months into it, but how it's working is really, really quite good. Our teams are empowered. Our store general managers are making decisions with their staff and their customers in the markets and stores they operate in, the way they like to work in a model they help create.

We're seeing that having a single leader accountable for all of our store, services, supply chain and in-home proposition is generating additional insights for us to activate on. The simplification of our field model has led to sped-up decision-making, and we are seeing employees have broader career and development opportunities.

A good example of this is right here in New York, where this market created a local hiring center. This may seem like a simple idea. Most ideas do when they're done. But the way our system and processes were for hiring was we had to do it at the stores. That's the way Best Buy did all of our hiring. The store general manager hires the final associate before they come in. Yet in New York, we have employee candidates who want to work in multiple locations, one of our benefits is a Metro transit pass, but our general managers don't have visibility to all the people applying at multiple locations, so they took it upon themselves in this new structure to create an environment where we could improve the employ application experience, get a better pool of qualified employees, and now our GMs can get qualified talent with a single interview that want to work in their store. This is a great example of how this market's actually coming to life.

This market operating model gets the benefit of using all of Best Buy's assets. These are our unique assets. We've shared them a few times. We're proud of them because we've honed them. We've honed them with years of experience, and we're the only ones that can do this at scale. The benefit that we get to drive is high-quality traffic interactions into our markets. We have millions of customers interacting with Best Buy every day, and we use our personalized marketing to drive some of the best conversion we can.

We have tens of thousands of highly trained sales experts that we can deploy in any aspect from a store to a home to meet a customer's needs. These sales experts are supported by the nationwide network of Geek Squad agents, who we keep on cross-training to make sure that, when they're in their homes, they can solve and create a solution for a customer to support what an adviser may have put together for them.

As I'll speak about in more details, we can perform an In-Home Consultation in every market we operate in. And we have the ability to commercialize technology that I'd argue like nobody else. Our unsurpassed relationships with the world's foremost technology providers lets us have access to those things I just spoke about to deliver new solutions to customers in a way that they can't do with anybody else in the world. And we've made some amazing progress in product fulfillment, and Rob will give you some updates later today on what we've been doing here.

When we take the ability to look at the analytics of a market and deploy the operating model against this, we can see what might be possible. Here are 2 relatively large markets, both experiencing the same amount of personal consumer growth. Yet, Market A is performing much better for Best Buy than Market B.

When we look at the data and analytics that we have available to us, we can see that the markets are actually quite different. Best Buy data like customer acquisition and retention, like fulfillment mix, like online mix, like Net Promoter Score, like the category of revenue, like penetration for household by income bracket combined with market data, like the competitive set and the actual consumer spending in that market, lets us get to deeper insights to see what we can do.

Currently, these markets are both using Best Buy's national strategy, and while it's working well for Market A, they could still benefit from better product fulfillment solutions. Market B, however, needs some additional help. There's a big opportunity to have more In-Home Advisors and improve our digital presence to address the known customers, Best Buy's identified customers, and get them to reengage with the company.

Deploying a market-based strategy and leveraging our assets in a localized fashion can drive additional growth for us. This is 1 example with 2 markets, going deeper into analytics to understand what could we do if we had a model that could actually perform the outcomes we needed in the market. This could drive hundreds of millions of dollars of incremental revenue for Best Buy by better serving our existing customers and creating an opportunity for us to drive significant relationship events.

We also have our stores. Our stores are vital to our strategy. Aside from being the most visible place where most people think about Best Buy, it's where a large percentage of our staff work. It's a great place to work, and it's where they hone their craft and meet our customers. Our stores play multiple powerful roles. Every one of our stores acts as a hub where we can ship products, customers can pick up products, customers can get products serviced, and they are the premier place to demonstrate technology solutions that meet customers' needs.

As we've also mentioned to you, we've done a great job with our vendors creating value and showing experiences that others simply can't as well. We still have over 8,000 vendor shop-in-shop experiences. We're now at a point, though, with our market strategy, we're going to need to evolve how our stores operate, which we just spoke about, and how they look over time. We're going to need to make some investments in our stores, and we're looking at how do we look at new formats, increased points of presence in some of our more dense markets, find ways where some technology can improve the actual shopping experience, as we look at our vendor shop-in-shop experiences, take advantage of how we're thinking about customer needs and update the vendor experiences to be more experiential in nature, all while making our stores easier to operate and more cost effective when we need to transition them because technology will continue to evolve.

I spent a few minutes talking about our operating model on purpose. It's a different way that Best Buy is going to run our business. It is going to find a way to also drive growth at a market level. But doing this also creates a stronger team, and it creates a stronger platform market-by-market for us to win the home.

Winning the home is key to our strategy of growing significant customer relationship events. Our customers were telling us they wanted us in their homes. From our 20 years of being in their homes with our Geek Squad team, they kept on asking us that there is an opportunity for us to do something more with them, create a more significant relationship. When you cross the threshold of someone's house, the relations you create becomes personal.

The responsibility to maintain and sustain that conversation in a way that each discussion becomes an extension of the next is something that we do not take lightly. And it takes a team of people to do this. It takes our team. Our team is the only team like it in the world. It takes trained people, Best Buy and Geek Squad people to pull this off.

Over 2 years ago, we created a new role, sales adviser, an In-home Advisor role to work on our free and home -- In-Home Consultation proposition. This offer continues to grow. We now have over 1,500 advisers and designers who all consult and design solutions based on meeting customers' needs around all the categories and services Best Buy offers. And this ranges from everything from home theater, smart home, appliances, imaging to mobile and computing. This team's supported by nearly 6,000 professional Geek Squad installers who can literally do any type of work you'd want in your home, from the most complex home theater control system installation to making sure the network in your house is doing what it's supposed to do.

And our customers absolutely love what we're doing so far. From people who've had an engaged relationship with an adviser for some time to the thousands of customers each week that are getting a consultation for the first time, we're generating results as we scale a proposition that we like and we think you would as well.

One of the most important things about maintaining a significant relationship with the customer is will they still work with the adviser. Virtually every customer who's had an experience to date wants to work with the adviser they started working with, which we think is fantastic. These customers shop in more categories, and they shop in stores and online more so than customers who haven't had a consultation.

Customers who've had a consultation have a higher frequency of visiting us regardless what they purchase when they do a consultation. The Net Promoter Score of this interaction is simply the best we have from a sales standpoint. We're driving something that is close to an 85 NPS, which is 1,800 basis points higher than our next best sales interaction, likely validating why customers want to continue to work with the adviser that came to their home. And last but not least, as you'd likely expect, these customers spend more, whether it'd be the average price of item that they're buying versus somebody who'd be buying online or in our stores or the amount of items and services they buy when we're in their home.

We absolutely love this program, and we love that we've enabled our employees to clientele at scale. Now we need to help them, and we're going to help them with some technology. As we evolve this program and continue to grow it, we need to give tools to our customers and our employees to maintain this relationship because, what customers are telling us is when their adviser's gone, they still like to stay connected and understand all the parts of the relationship that they've been starting to enjoy with Best Buy.

And so, we've been making some investments in this space that I'm going to share with you. But I would like this from moving from truly a store-based environment, where everything we used to do just 2 years ago had to be run through the store. Everything was a process based on our store to now customers can schedule their own visits. We have a suite of digital tools that both customers and our employees can use, and we've invested in a brand-new customer relationship management system.

All of these pieces of technology are designed with our customer experience group to make sure that how we view the experience with both our customer and our employee is kept at the center of experience as we build. A great example of this is our recently launched online proposal that used a customer experience journey map to create.

No longer after you get an In-Home Consultation are you getting an e-mail with a PDF that you need to open up that has a bunch of hard-to-read Best Buy codes and internal SKU numbers. All this did was lead to a bunch of back and forth e-mails between a customer and adviser, inevitably delaying the conversion of the sale, creating more confusion, delaying getting an installation scheduled if needed.

Now, shortly after the adviser leaves your home, you will receive notification that your personalized proposal is in your secured online Best Buy account ready for you to view as you need to. When you open this up, you see what's on the screen behind me or in your books. This lets the customer navigate exactly what you just spoke about; view the proposal by rooms in the house, if that's what they prefer; break down the proposal to buy some or all of it right away; and create an ongoing way to keep directly engaged with their adviser.

We're also improving tools for the advisers. We just launched a digital, mobile-enabled notebook, so our advisers can spend more time talking to the customers and taking notes digitally so they can maintain this relationship. This allows our advisers to show customers projects they've worked on in the past with customers who have needs similar to them so they can show exactly what they did to solve a similar need. Over time, this will allow our entire adviser network to crowdsource the best way to meet solutions so we can use the benefit of being in millions of homes to keep our team at the tip of the spear of what people want to do next.

This also directly puts everything we would've seen in your house into our CRM system. No more time does the adviser have to go back to their house or their office and manually enter everything from their notes to create a proposal. This speeds up the process tremendously and improves accuracy. And finally, all of the information we capture in this personal in-home visit is digitized. It's data for us to continue to use to manage and improve the relationship with that customer.

Winning the home means we have to support it. It's probably the reason why the #1 selling item when we do an in-home consultation is a total tech-support membership. Somebody's got to make all this stuff work. There is no better example of being the Chief Technology Officer for the home than Best Buy's Total Tech Support offer, and it's only available through us.

As a reminder, this program is not new. We scaled it last year, and we scaled this based on the insights we had from being in tens of millions of homes over the last 20 years, where customers were telling us that support on the things they already owned was more important than any additional break, fix or installation proposition we could create.

I think you all could realize it too in your daily lives. I'm sure it's happened to you because it happens to me, but when Time Warner tells you in New York City that Internet's working, but you can't seem to get any of your devices to connect to WiFi, Total Tech Support is there for you if you're a member. Pretty much the only thing it can't do is fix this year's New York Jets. We'll try, but I don't think it's going to work. Rather than me tell you about how customers think about Total Tech Support, let's run a short video to see what they're saying about it.

(presentation)

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

As Corie already mentioned, we're nearly at 2 million members to-date, doubling the amount of members just since the start of this year. And we love the fact our members are using this. They're using those services 2.5 times per year.

The offer is incredibly well reviewed. It's one of the highest-rated items that we have regardless of product category or service offering. And our members have already used services 4 million -- their using services 4 million times a year. Our members spend more than people who aren't members. Our members spend more on services who aren't members. And an interesting thing that we've noticed is if the initial entry in to being a Total Tech Support member comes from an appliance or a home theater purchase, we see an increase in cross-category shopping. Cross-category shopping is a key indicator for us of brand love. And being a Total Tech Support member gives those customers the confidence that Best Buy can handle any of their technology needs.

We love what's happened so far, and there's things we're working on to improve with additional premium features, the ability for customers to do some more on their own and ways that we can make sure that Total Tech Support truly does work with anything that's in your house because that's what the proposition is based on.

We also have another membership, it's called my Best Buy, and we have millions, millions of members in this free membership program. This is a loyalty program that's based -- a certificate earnings loyalty program that's based on the amount you spend per year. Our very best customers in this program are called elite plus, and they do spend more than, core My Best Buy members, and all My Best Buy members spend more than people who aren't. We love all of that, and we love the program's ability for us to continue to evolve our digital marketing engagement programs with our customers.

That said, elite and elite plus are just a small percentage of the My Best Buy members. And as you can see, we constantly try to do new things both under the My Best Buy umbrella and right beside it, and these all provide great learnings for us. They've also made it too hard to keep a nice consistent level of communication going to our customers, and again, validating, in some cases, it's just too hard to navigate Best Buy.

So as we look at that, we think about what customer expectations have evolved to, and they've changed. They're changed a lot around engaging with the company since we launched My Best Buy. The things that customers want now are what keep us up at night around how think about Total Tech Support, and we have an opportunity to be more personalized using our data to evolve how we think about memberships. And as we look at our business and about driving more significant customer relationship events, we're going to look to greatly simplify offerings to focus on paid and free membership programs, develop membership offerings around what a customer actually wants versus what a Best Buy business unit needed to create and probably, most importantly, move from managing the economics offer-by-offer, which is how we look at it today, to managing the economics as overall the way we view the customer relationship with us.

This brings me to the second outcome of our strategy, which is capturing new demand. We see lots of opportunities to capture new demand with our existing sets of value propositions in different ways and opportunities. I'm going to focus the conversation on updating you on our lease-to-own proposition. But before I do that, there's a couple of highlights in our partnerships with our vendors that are worth discussing. With Google Shopping, we've now enabled that to go across a lot more items at Best Buy with us seeing an increase in business and a lift in customers that we call digitally native who'd not be shopping at Best Buy in the past.

We're talking about our relationship with Amazon. We're the world's largest Apple-authorized service provider. One of the great things about this is, when people come to our stores to get their phone fixed, many times, it's somebody who didn't buy a phone from us and somebody who hasn't shopped with Best Buy in a long time. This gives us a great opportunity to reengage a customer around everything that Best Buy is doing and how to make their Apple experience work with potentially whatever else is in their home.

We just entered into a partnership with HomeAdviser as a lead-generation tool for our In-Home Consultation program. This gives us access to their platform and to customers that we wouldn't be seeing.

And in regards to Amazon, 15 months ago, we started becoming the exclusive seller of Fire TV edition Smart TVs. And we've just recently added some accessories to this relationship to make sure that, when customers are looking for this solution, we can complete a more proper solution for them. This shows us that our partners are looking at ways always to leverage the fact that Best Buy's unique way of going to market could be leveraged with their traffic and customers, and we see that as a great opportunity for us to capture new demand.

Let's move on to lease-to-own. Many of you know that over 1/3 of the customers have challenges with the credit files they have today, and there are customers who simply don't have credit, and millennials today are averse to traditional banking methods. Our Best Buy lease-to-own offer with no credit needed addresses both of these challenges.

Primary financing turndown and the experience that we try to solve is how we look at this business. No employee wants to tell a customer they've been declined for financing. Up until recently, that was literally the only option we had. Now customers can hear about a second option to get the products and service they want from who they want, meaning a big win for all of us.

We also like what we're seeing so far in this offer. We're seeing a customer that tells us that you're helping me satisfy something I couldn't do before. That the process in how we think about the customer experience is coming through in the way we create the application. And we like the fact that 65% of these customers are new or have been reengaged to Best Buy. And as we anticipate it, we're seeing that our employees are more comfortable offering financing at large, knowing that if a customer does get turned down, there's a chance to still get them something that they want or could use.

We also like the mix that we're seeing from this offer so far. It is overindexing in a millennial customer, helping validate that we need to create different solutions in purchasing options for this consumer base to take advantage of what Best Buy brings to market. And the mix of our customers are buying also is a bit more complex, which skews toward Best Buy's assortment leads. This also helps us with our vendor community because our ability to commercialize new technology solutions now can be made available to a larger percent of the market.

We're already in 36 states with the 9 remaining states that allow this type of purchasing option to come on -- to be available, come on live by late October with New York and California being the 2 biggest markets to come on.

We'll be improving the integration into our store POS to make that customer-employee conversation better. And next year, we'll be adding this solution to bestbuy.com, also creating ability to get new applications done digitally and enable purchases to be made in our digital business.

As we shared with you in the past, our Best Buy credit card represents about 25% of the tender on purchases at Best Buy, giving you a great no-interest payment option or the ability to earn My Best Buy points. And when we look at our lease-to-own option, this complements that. It was relatively small. It's growing every month, and we like how it works with our overall financing solutions.

I just spent some time going through examples of how we will unlock growth, specifically around better serving existing customers and capturing new demand. I think these takeaways summarize them quickly for you. But I want to reinforce the importance of them. Our new operating model at a market level will create growth for us and help us drive significant customer relationship events by unlocking data and analytics and empowering the teams to meet the customers where and how they need. Winning the home is key to our strategy, and it needs the expertise, the people, the process and the technology that Best Buy has developed and invested in to be successful.

Paid memberships that are oriented around the customer relationship will drive significant customer relationship growth. And we have many ways and areas to capture new customer demand from the way we're talking about the vendor partnerships and how we are involving some of them to our lease-to-own purchasing proposition.

And with that, to talk about how to enter new spaces, I'm pleased to bring up Asheesh Saksena, our President of Best Buy Health, whose goal is to make us all live longer.

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

Good morning. Over the next about 20 minutes, I will walk you through our health strategy and focus on 3 sets of questions. First, when it comes to health, who exactly are we targeting? And what customer problem are we trying to solve? And how important and large is that problem?

Second, how are we looking to solve that problem? And why is Best Buy uniquely suited to address that problem? And how far along are we in that pursuit?

And third, how large could it get? And what would it take for us to get there? So let's get started.

As Corie had mentioned at the start, Best Buy seeks to address everyday needs of our customers with the help of technology, and health is one of those eternal, everlasting human needs. That is beginning to see a steady inflow of consumer-grade technologies. Technologies for seniors, technologies for babies, technologies for expecting mom, technologies for fitness enthusiasts, and so on and so forth. And therefore, our strategy starts from where you would expect: curating and selling the best of health tech.

And that alone is a large addressable opportunity for us. Every icon that we see on that screen is either online or in our stores or both. And technology innovation and health tech is on a tear. However, there is more to our health strategy than that first step. And to present that right, I do need to take an extra couple of minutes and step back a little bit and talk about the health-care industry and the underlying transformation because that's opening new doors, new possibilities for new entrants. And this is kind of important context, so let me just take an extra minute on it.

Firstly, today if I'm sick, I have to go to a doctor or to a hospital or to an ER, and that's the last thing I actually want to do. I'm sick, I want to be in the bed at home, except health care does not transact in the home.

And we thought we could do something about that. We could bring technology-based solutions in the home and help connect the home to the world of the health-care system. We could install, we could support, we could train, we could calibrate all these technologies in the home simply because we have Geek Squad, one of the largest distributed tech workforces in the country.

We would also leverage our other in-home resources. In-Home Advisors could go in, and drop in and check on, and so on and so forth. In other words, we could do our part in making home a node in the care architecture, and that is something every major health entity is looking for. So that's the first piece.

The second point I wanted to highlight was that the country is aging. I mean you've heard all the stats, 10,000 people turn 65 every single day. But what's equally important is 2/3 of seniors over 65 live with a chronic condition or more. Now I -- I mean know that my ailing dad is one of that stats, but if you look at this point about seniors together with home, if there's something we could do to make sure that a senior does not need to have to get into the car and drive to the hospital and wait for several hours but be able to be in the home and be able to transact some health care, then that is something valuable that we have done.

So let's look at the third point in this context. While home and seniors are important, what is also equally important to understand is that the health care itself is going through a business model transformation from a volume-based health-care business model, where it was -- every X-ray was being paid for, every night in the hospital was being paid for, to a value-based model where there is a set of dollars for a particular condition or a set of dollars for technology innovations that can take out cost and take out wastage from sectors that are consuming incredible health-care dollars like seniors.

And lastly, it is also important to recognize that people are getting increasingly more involved in managing their own health and the health of their loved ones, specifically when it comes to seniors: moms, dads, grandmoms. There are caregivers like me -- perhaps like some of you too, who spend more than half -- more than half of them are not only taking care of the seniors and finding it difficult or stressful, have full-time jobs and spending more than 15 hours a week taking care of their loved one. There's clearly a need for solutions that can help people take care of their loved ones' health needs in a more holistic fashion.

So let's bring it all together. With all that context in mind, what became very clear to us that our mission was simple: enable seniors to live longer, more independently in their homes with the help of technology and support. No less. No more.

Now in my entire carrier, I haven't really come across too many business problems, which, if solved, could benefit all. This is one of those rare ones. Seniors want to live longer in their home because it's home. Caregivers like me want them to live longer in the home also for many reasons, including the fact that almost all other places of living are woefully expensive. Payers, as they are called in the world of health care, the insurance companies, also want seniors to be in the home because it reduces cost to serve them, and it improves member experience. And same with providers, who are these health-care entities, also want the seniors to live in their home as long as possible because it prevents readmission. It enables them to manage them within the capitated dollars they get to take care of them.

We have a unique opportunity to do something about this, help bring the best of technology, support and services in the home to help seniors live longer in the home and stay connected with the health-care system. And everyone around us wants us to make this thing happen, and that's the reason why we have got tremendous response from the health-care ecosystem.

While all that is well and good, the reality with health care is it's an ocean, and without a carefully architected strategy, where we are constantly looking at capabilities with opportunities and doing step-by-step pursuit, we could drown, and therefore, we use internally a relatively simple framework, and we found it to be pretty effective. Let me take an extra minute to also mention it this morning.

So imagine a simple 2-by-2. On one axis are the human needs associated with health bucketed into 2 categories: stay well or get well, get well being sick care. On the other axis is how do you reach these consumers? You could reach them directly, and therefore, get paid by the consumers. Or you could go through intermediaries, like the insurance companies and the health system, or what we call as the commercial channel. So needs and channels.

The first step in that 2-by-2 is exactly what you would expect: curate and sell technologies related to the health and wellness for the consumers. And in our seniors-oriented business also that's a tremendous opportunity, and I've already talked about that just a couple of minute back. But I did want to give you one quick example. I remember when we put GreatCall's tech solution products in end caps in our stores and trained the Blue Shirts. We saw more than 30% year-on-year growth in that channel. So we knew we could unlock this pent-up energy in the marketplace.

The second step requires me to step back for a second and look at the life of a senior in the home. And you begin to realize a really important insight, which is health concerns are part of their everyday life. There's just no escaping. However, the health system, like hospitals and doctors, see these seniors when something happens. And the problem is that between those events or between those episodes is where there is daily life.

This is where a lot's happening that impacts the health care of the senior. Did Mom take medicines in time? Did Dad go for that walk that is so important for his healing? Is Grandma lonely? These are all things that happen between those episodic events, and that's why the health-care industry is extremely keen to get visibility on this everyday life between these episodic events. And it is no surprise, therefore, technologies like remote monitoring are absolutely central capability to enable senior living.

And as this is about installing these tiny sensors in the home and picking up data from there and then running triage protocols on that, we thought we could do something about it by far because Geek Squad, which is one of the largest distributed workforces, as I said, could be a critical instrument in doing that.

I'm going to show you all of this through a video in just a couple of minutes to bring alive how this happens. But the second step of a strategy was the opportunity to become nation's leading remote-monitoring platform to help commercial customers, like insurance companies, like health systems, reduce cost-to-serve seniors, take wastage out of that economy and improve member experience.

The third step in our strategy was that assuming this -- all these capabilities are in place, we could now start layering on top of this value-added services to help seniors and caregivers and even the health-care industry coordinate care and make care a standard benefit within the insurance plans.

So let me take an example. Supposing a senior or a caregiver even calls a service provider like Best Buy Health with questions like, can you make sure that the lift car shows up at 10:45 a.m. to pick up dad to take him to the doctor? Or can you pass on this message to my daughter because I can't get hold of her, and so on and so forth. These everyday services, imagine if this agency could answer and help with those and that the service was free for the senior caregiver and paid for by the insurance companies because they -- because these are the kind of questions that fundamentally impact health, like social isolation, like medical adherence and so on and so forth.

And if we can do that, then it's a win-win for all. The senior and caregiver are able to get their services and answered and not paid for by them but paid for by the insurance companies who benefit because they address the underlying health conditions. So in total, 3 strategies, 3 steps to enable seniors to live longer in their homes and be well connected with the health-care ecosystem.

So you may ask, what does Best Buy bring to this pursuit? Now we knew very early that this was about home, this was about bringing technology based solution to the home, like monitoring, and our ability to get into the home and install and calibrate and support these technologies like tiny sensors and devices was critical.

With Geek Squad, we were able to do these things at scale and also Geek Squad is loved by our customers, and therefore, they could drop by and, with In-Home Advisors, also check in and, therefore, access in the home we knew was going to be important. It is something we could do well. And it is absolutely critical for this business.

We're also as a company technology agnostic. We can bring whatever tech stack a health-care industry company is seeking, and we would support that in the home. And this is an unsaid part of the -- of our capability but a really important one, the agnosticity of our technology.

We would also bring our world-class supply chain, and I know Rob is going to talk about that in just a couple of minutes. But to be able to move devices and sensors and so on in and out of home efficiently is quite important to do with some of these things. So we knew that there were some things we brought to this business.

Having said that, we also knew we had capability gaps in a stack of one. We needed talent that actually talked health care, who know health care. I mean I remember when we started this initiative, I used to struggle to figure out whether HIPAA had 2 As or two Ps. And it was clear to me that, unless we bring leaders who actually understood and were from the health-care industry, we would find it challenging.

But even more importantly, we also wanted leaders who understood how to engage with seniors. And this is a very nuanced thing. How to talk to a senior? How to elicit responses? How to explain when to call? Who all to keep informed beside the senior? This is all a nuanced understanding of taking care of seniors. So we knew we needed more strengths there. We also needed some technology capabilities like remote-monitoring platform with AI, logistics -- AI algorithms associated with that.

All of that led to a set of acquisitions. We acquired GreatCall about a year back, and that is proving out to be far more rewarding than the original acquisition business case. With GreatCall, we got talent who knew health care, but I said, more importantly, knew how to serve seniors as their entire business was about bringing technology-based solutions to help seniors live longer in their homes.

They were already serving 1 million seniors, so this was at scale. GreatCall also had industry's leading remote-monitoring platform, so we knew we could leverage that. They also had several commercial contracts that we could build this business on, and they were generating over $300 million in revenue, so we could get going.

So we acquired GreatCall. Shortly thereafter, we added CST, an absolutely amazing company in Michigan. They do care coordination services, where a senior can call and get help, and the service is paid for by the insurance companies, the example that I was giving just a minute or 2 back, that's what CST does.

So we knew that with GreatCall's technology, Best Buy's in-home access and support, and CST's high touch, we had the Lego pieces of what it takes to start building a scalable business. The piece we added thereafter was our ability to deliver proactive, predictive solutions for senior care.

And to do that -- and I'll give you an example to explain what I mean by that in just a quick second. But to be able to do that, we acqui-hired data scientists and engineers and got some IP and platform and algorithms from a company called BioSensics in Boston, an absolutely astounding company. They develop proactive, preventative monitoring solutions for seniors.

So to give you an example, if you look at the PERS industry, the Personal Emergency Response, those pendants that seniors wear. You could -- a senior could press a button and get help in case he or she has fallen. What we have done is leverage BioSensics' algorithms, and now these pendants can -- with their accelerometer inside the pendant, can track how a senior is actually walking, the gait. How a senior is standing up or getting up. And based on all of those algorithms, is able to predict the risk of falling.

So in one fell swoop, it is not just about providing help when somebody has fallen but also be able to come a step earlier and see whether there's a risk of falling so that we could -- something could be done proactively rather than reactively, eventually perhaps on the path to even preventing fall. These are hugely important capabilities.

So now that you have a slightly more wholesome view of our capabilities, the capabilities that Best Buy brings and the capabilities got through these acquisitions, let's go back to our health strategy and talk about the second step, which is the step of building remote monitoring.

I'm going to explain this through a short video, where you'll hear a part of a call between our care agent and Stanley, and just so you know, Stanley is a double-lung transplant senior, recuperating in the home. And in that home, we've put these tiny sensors so that data was coming from that to our care agent, and the care agent, therefore, had context about the everyday life of Stanley. Take a look at this video and then I'll come back and talk about not just the humanity of what we are trying to do but also the business potential.

(presentation)

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

What you saw in that video was a situation when our agent noticed that Stanley was not opening the refrigerator often enough relative to the patterns that the AI algorithms suggested. And therefore, the agent gave a call and when -- and as you heard, Stanley said, oh, he's doing great, great. Except these agents are trained to engage with seniors in ways that elicits responses, and in matter of minutes understood that there was a real precipitous drop in Stanley's eating habits, in Stanley being able to keep the food down, and therefore, we contacted the care protocol that was designed at the other end to get timely and effective help.

Now did we save his life? I'm not sure about that. All I know is that a couple of weeks back, I asked my team to reach back to Stanley and found that he was doing great.

Now I know many of us take care of seniors in our life, and what Best Buy Health is trying to do is not just human. It's actually a large, significant growth opportunity. So let me take a minute on that.

Between the work that we're doing at GreatCall for some of these insurance companies as well as these peer-reviewed publications that have been published on our work, with a unique combination of remote monitoring and human touch, our systems can deliver savings anywhere between 16% to 25% in terms of cost of serving seniors. Now 16% to 25% cost savings to serve seniors, even for frail seniors, which is a small subset of the broad population of seniors, for example, the insurance company spend roughly $55 billion in serving them. So these are meaningful potential cost-saving opportunities and for which we get a slice of that value through a monthly recurring revenue fee.

So as that said in the beginning, but now imagine that world where we have our tech and the touch in place with all these technologies, the remote monitoring and so on and so forth. We knew we could start layering in a set of value-added services across the entire continuum of everyday life of a senior or what the industry calls social determinants of health, ensuring that the seniors are not feeling lonely. They're not isolated. They're not anxious or taking medicines on time or not skipping medical appointments, all the way to getting everyday on-demand help, like food delivery and transportation. This whole circle of everyday life or social determinants of health is absolutely important to coordinate to actually help a senior live longer in the home. And I'm really excited to report that leaders in the industry like Anthem and Centene and Molina are already beginning to offer some of our services as part of their insurance plans.

Now I know these are early days. I know these are very tiny contracts, but it is clearly gratifying to note that some of the leaders in this industry -- by the way, those 3 companies alone is roughly 20% of the insurance industry -- have at least chosen us to be part of their plans.

So to bring this to a close. Let me end by saying that the pursuit that we are on aspires to and is working towards serving 5 million seniors in 5 years with revenue -- recurring revenue-based services.

I know that today we are at 1 million seniors, so from 1 million to 5 million is a huge path forward. There is a lot of work to be done. All the 3 strategies that I talked about need to pop for this thing to actually happen, for us to be able to offer more products and services to seniors and caregivers, for us to be actually become the leading platform for remote monitoring, for us to actually be able to have care coordination services that become part of insurance plans. So all of these 3 strategies, we have started early progress in that, but I think, over the next few quarters, we'll have a more empirical belief and empirical view of both the full potential of this business and the rate of its scaling.

But what we are very aware of that, if all goes well, there will be 5 million seniors. 5 million seniors like my dad, perhaps like somebody you care for, who would be living longer in their homes, living more independently, supported by Best Buy Health. And we understand the importance of that responsibility.

Thank you. And let me now transition this back to our anchor slide and to the next topic on building capabilities. And for that, I'm very excited to invite Rob Bass, our Chief Supply Chain Officer, to talk about the magic he and his team are doing in this world. But before that a short introductory video.

(presentation)

Robert L. Bass - *Best Buy Co., Inc. - Chief Supply Chain Officer*

Good morning. So what do you think? We have been working hard, as you can tell, with all the investments in our supply chain. I'm very proud to be here today and represent the amazing work of our team at Best Buy. And to be clear, this team goes well beyond our supply chain. This transformation represents the hard work of virtually all areas within Best Buy.

So one has to ask, why transform our supply chain? Well, some of the reasons I'm sure to are obvious those of you in the room, others may not be. So I'd like to walk you through our thought process and why it was essential to make these investments in supply chain technology.

Like everything at Best Buy, it always starts with the customers. Our customers want and deserve convenient, fast options to receive our great products. And they want it on their terms. And by customers, I'm also referring to our stores. Improving how stores receive their goods is another important part of our supply chain transformation.

Now if you're not evolving your fulfillment options, you're certainly losing ground to the competition. Speed is essential. We all know that. And some of our competitors are fast and charge of membership fee. Others are fast and free. Some have pretty good speed with the minimum purchase amount. They'll charge you just to give you that free. And others, quite frankly, are still pretty slow and still want to charge you for shipping. Speed from order purchase to home is important, but you also have to be innovating new and improved ways to put merchandise in the hands of the customer.

Now driving efficiencies has always been in the DNA for retail supply chains. But it's become even more important in recent years. In the old days, productivity efficiencies were needed to offset wage rate, transportation and fuel increases. These days, it's also important because you need to offset the cost of same day, next day, in-store pickup, curbside and other options that the customers demand.

This makes it more important than ever to drive efficiencies to offset these costs. These efficiencies are also important to make us the employer of choice. Process improvements and assisting our teams with technology is receiving rave reviews. I'm going to talk a little bit more about this later and tell you how this is resonating for our teams out in the distribution centers.

Product mix is something that is a very important factor of why transform. But quite frankly, it's something that is not often discussed. Our distribution centers and the networks that they support were built for a very different time. These centers were designed for a time when stores were replenished with, let's say, large pallets of big picture tube TVs or maybe large pallets of old computer screen monitors. And quite frankly, you guys know how this works. These centers were built in remote areas where you could find lots of cheap land. You had a major highway nearby. And their single purpose was just to replenish stores. In many cases, those stores were hundreds of miles away.

Now I refer to this affectionately as distribution ala 1992 before the boom of the Internet when we were all building those centers out there. Compare that to today. Much of what we sell today will fit right in your pocket. Instead of sending pallets of one SKU to a store, we only send a few, in many cases, of each SKU, but we still need the capability to send a case or a pallet when needed to drive efficient replenishment. We also need the capability to pick, pack and ship 1 or 2 items at a time to support our tremendous e-commerce growth within those facilities.

Now if you compare those types of products to the other side of the spectrum, if you think about the phones, the cables, the ink, those kinds of things and think about what else we're moving: major appliances and large-screen TVs. This requires a very different type of building, different building layout, much different material-handling techniques to move these products safely and damage-free through our supply chain.

If you just slow down for a minute and think about it, we are growing significantly in the areas that are -- quite frankly, are most complex for us to execute: the fulfillment of e-commerce orders and the delivery and install of major appliances. This is why product mix is a key driver behind the whys of our transformation.

Now if you'll indulge me, I'd like to go back a few years to our last Investor Day and review what we said we were going to do with our increased supply chain capital investments. I'm pleased to say that, at the moment, we are right on track with where we said we'd be. These are the actual statements that were in our Investor Day in 2017.

In regard to automation, 7 of our distribution centers now have automated storage and retrieval systems and 3 of our centers have automated packaging systems. In addition, we've introduced a new type of fulfillment center called the Metro e-commerce center. We affectionately refer to it as MEC. This type of fulfillment center is designed for fast, efficient e-commerce fulfillment. Currently, we have these centers in Los Angeles, Chicago and New York, and they support their surrounding areas. And we continue to diversify our final-mile carrier portfolio. This diversification is unlocking faster fulfillment, including 42 same-day markets.

While we're excited about our improvements in delivery speed to the home, many of our customers still love to stop in a store and pick up their order when it's convenient for them. To meet our customers' needs, we continue to invest in our store pickup proposition along with our new curbside option that just became available last week.

Now I want to be clear. We closely manage our inventory. But with 35 quarters of growth in major appliances and the fact that these TVs just keep getting bigger and bigger, it means you might want to add just a little bit of space to do your job, as you saw in the video. We've built 11 new appliance delivery distribution centers. This now gives us enough space to support our growth.

In addition, these new centers have given us an incremental 750 shipping and receiving doors. These doors ensure that our delivery teams could get on their way each morning with no delays. For example, our new delivery distribution center -- it's not actually too far from here, will launch 60 to 70 delivery trucks each morning to service this area. And I don't need to explain to those of you in the room, but with the New York City traffic, getting an on-time start is critical to hitting our delivery windows for our customers. These investments complemented by our differentiated assortment, our knowledgeable Blue Shirts and the exceptional Geek Squad service has played an important role in Best Buy earning the J.D. Power Appliance Retailer Satisfaction award for the last 3 years.

Now let's talk about how we attack this transformation. None of this gets done without an amazing team, and to be clear, we have an amazing team at Best Buy. To complement the existing team, we needed to add a few new roles in some specialty areas. These areas included engineering, automation, fulfillment.

We also realigned our supply chain teams. Our supply chain org now includes our forecasting and demand planning and order management. It does us no good to unlock new fulfillment venues and not have the right inventory in the right place. We've also introduced a new transformation office to the enterprise. These changes make it easier to ideate, collaborate, drive efficiencies and implement innovative change through technology.

Now speaking of technology, we've layered in and improved technology and updated our software. This is the point in the presentation where I'm quite frankly embarrassed to tell you that we had a warehouse management system that was old enough to drink and smoke in every state in this country. It's true. You can laugh. It's okay. It was an old green screen. It had limited functionality, and it was certainly not the platform you want to operate in a modern, omnipresent fulfillment environment.

To fix that, we've literally integrated a brand-new warehouse management system, a warehouse execution system and a transportation management system, and I'm pleased to say, we've done all this in conjunction with our digital and technology teams with no disruption to the organization.

These new software platforms have now unlocked our ability to integrate with state-of-the-art material-handling equipment. To be honest, it's pretty hard to integrate modern automation with that old green screen. We went out, and we collaborated with integrators from around the world, and we landed on material-handling equipment that truly complements our unique product mix.

I'd like to walk you through how this new material-handling equipment works. Those of you in the room, strap yourself in because I think you'll get a little vertigo flying over top of this. But our new automated storage and retrieval system reduces the amount of storage space required for products that need to be shipped at less than a full case. It's also a much more productive way to put away and pick your merchandise.

Prior to this innovation, a typical team member would walk up to 7 miles per shift, picking items for stores or e-commerce orders. Now these bots sequence the pick and bring the team members exactly what they need for an online order or store replenishment. The key advantages to this solution are realtime picking for much later e-commerce cutoff times, improved inventory accuracy, less damage, and the sequencing functionality allows us to create store-friendly deliveries that put light goods together, saving time for our stores on the other end.

This system also supports our ability to offer customers an online shopping right up until 8 p.m. right here in New York City on thousands of items and have it delivered tomorrow for free. But the benefit I'm most proud of, however, is that our team members, who in many cases, have worked in our building for years, are giving us the feedback that this technology truly is enriching their lives. They now have the tools they need, and in many cases, are telling us they can extend their careers with the assistance of this technology. No more walking 7 miles up and down the stairs and down those aisles to pick things.

Let's look at another cool piece of technology. We're proud of being selected by Barron's as the most sustainable company in America. Within the supply chain, we do our part with the careful collection and disposition of 2 billion pounds of appliance and electronics waste. But another great example of our commitment is our investment in automated packaging.

I need to walk you through a little bit how this automated packaging works. What's pretty cool about this, you order a couple items at Best Buy. They're picked. The bots bring them out. We can put those items, run them through a tunnel scanner, a 3D image is taken of those items. And the corrugate is cut exactly to those specifications. The items are placed on. It's folded over, sealed shut. A label's automatically put on it, and it heads out to the appropriate final-mile carrier without anybody touching it.

There's no wasted corrugate. There's none of these crazy plastic air pillows or popcorn in there that you got to throw away in your garbage and ruin the environment. Zero space in there in the box, therefore, taking less space up in the truck, therefore, ultimately putting less trucks on the road. We're really excited about this technology. We are early adopters of this technology, but we're really excited about what we're seeing. And our plan is to add more of these packaging machines consistent with our original capital investment plan.

Now our technology enhancements, particularly the density of our new storage and retrieval system, has unlocked our ability to move e-commerce fulfillment closer to the customer. We do this by placing our top-selling e-commerce SKUs in our 3 metro e-commerce centers.

That's where it gets a little bit interesting. These centers are actually located inside of our appliance delivery distribution centers. You've heard a little bit about a store within a store concept, this is actually, if you think about it, a fulfillment center within a fulfillment center concept.

Appliance retailers have always had an appliance delivery distribution center near a major market to launch home deliveries each morning. And what's cool about this is our unique solution combines 2 very different operations within our existing footprint, keeping us closer to customer and maximizing our space.

Now you can do everything right within the supply chain, but if you can't master the final mile, it's all for nothing. Just a few short years ago, this slide would've only had 2 logos, and frankly, one of those logos would have represented about 90% of our volume. We now have a portfolio of options. Each of these final-mile carriers offer us a niche that we strategically leverage. It might be a specific region they cover or a certain day of the week, including a weekend, where they happen to excel. Perhaps their sweet spot happens to be same day for us, or it could just be that all service levels are equal for a package, and we can now shop the rate. This healthy competition helps us drive innovation and keeps our rates competitive. I know these carriers will tell you that Best Buy is a key partner in pushing them a new and unique service offerings.

Ultimately, the right team combined with an omnipresent platform, modern material-handling equipment and new fulfillment venues lead us to an optimized network. While other retailers have separate views of online versus brick-and-mortar inventory, some even have separate distribution centers for online versus brick-and-mortar inventory.

At Best Buy, we can sell you anything we have with access to all of our inventory in our DCs and our stores. And while others debate, should we ship primarily from a store or should we ship primarily from a distribution center, we say yes. Let's use them both. Our sourcing algorithms allow us to meet the needs of the customer and use a store when we need next-day or same-day speed or perhaps when an item is only available in a store. We can also use a metro e-commerce center when we need that same type of speed but we want to capture the efficiency at scale, or we could still use that regional distribution center, those centers I talked to you about that we built back in those remote areas. When we can meet our speed requirements and, therefore, get all the efficiencies of a regional distribution center environment.

Now we still have work to do but this flexible network is already paying off. Our combination of distribution centers, metro e-commerce centers, stores and our final-mile partnerships means that we have significantly increased the number of e-commerce orders that we can put in the hands of our customers in one business day.

80% of our customers are now in a zip code where next-day delivery is available, and we plan on significantly increasing that prior to holiday. 42 markets now have access to same-day service, and we're going to continue to expand that service area and get much more specific on the windows that we'll deliver in that same day.

And what about our stores? Or stores are doing an amazing job with in-store pickup, which on an average is ready in 30 minutes or less.

Fast is great, but fast means nothing if you're not reliable. Our customer service scores, productivity improvements and reduction in defects confirm our investments are paying off.

We're close to wrapping up the transformation of our network and the increased capital investments that we've been talking about the last few years. We will never wrap up our commitment to customer first. We will continue to listen to and evolve with our customer. We'll do this by expanding and offering, new fulfillment options like curbside; lockers; and other cool, unique ways to put packages in the hands of our customers.

We'll leverage our tremendous assets that we already have available at Best Buy to expand where and what we put -- we deliver to our customers' homes. And we'll stay curious about innovation by leveraging our new technology with later shipping cutoff times, expanded next-day coverage to 95% of our customers by the fourth quarter, and we'll explore Fulfillment-as-a-Service for some of our strategic partners.

We do all of this to offer our customers the choice, convenience and control they expect and, quite frankly, deserve from Best Buy.

I appreciate your time today. I hope you're as pumped up about what we're doing as I am. And now it's my pleasure to welcome the gentleman that monitors all of my spending and makes sure that these investments do meet their return on invested capital, our CFO, Matt Bilunas.

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Thank you, Rob. Yes, it's been quite a bit of spending there. Good morning, and hello, everyone.

I'm not sure who thought it was exactly fair to put the brand-new CFO up after saving people's lives and robots, but I'm going to give it my best shot. And first, I'm going to say, it's an honor to be here as the new CFO of Best Buy. And today, I'm going to be covering 2 sections. First, I'm going to continue where Rob left off and talk about our fourth business outcome that Rob just kicked off.

And second, I'm going to cover the financial outlook. So hold on. I know you're all anxiously waiting for the financials. I promise, they're right around the corner. The fourth and last business outcome is about building capabilities while maintaining profitability over time.

Today, you heard Corie, Mike and Asheesh talk about the first 3 business outcomes and how our strategy leverages the unique combination of touch and tech. Rob just gave you a great example of how our fourth business outcome is coming to life. Broadly, this outcome is about how we're enabling the growth in the first 3 business outcomes.

And there are 2 parts to this equation. The first part is investing in our capabilities. And the second is about finding efficiencies and cost savings to fund these investments.

We will continue to play to win, leveraging our position of strength and invest back at our business when we -- when at all possible. And as we have done for many years, we will look to create more efficient and cost-effective ways to work to fund those investments.

The great news is we've been doing just that. We have been investing more in our business over the past number of years. We're just outlining a few capital expenditures on the slide. As you know, investments come in many other forms like acquisitions and normal operating expenses to run the business, but importantly, this slide shows that, while we've been investing more in our customer experiences and our capabilities across stores and digital and our home, we've also been seeing our return on investment improve over that same time.

Now much of the increase in the investment over the years has been in technology and digital. Technology and digital investments will continue to be a critical element to support our strategy. We have made investments like CRM and services platform and our online experience. You've heard many examples today of where we will be investing in tech to drive our business outcomes. I will outline more technology investments later on in the presentation.

The last Investor Day, we outlined how our supply chain would need to evolve. Rob just gave you a great example and a great update on that transformation. While our supply chain investments may not continue at the same pace, the need to continue invest in this space will never stop. The last buck you see outlined here is in our stores. Our stores remain a valuable asset. There will always be a certain level of maintenance required in our stores, replacing things like carpeting and HVAC systems. In addition to that, we will need to invest more in stores as we move beyond a conventional multichannel approach to a more omnipresent approach to retailing.

Earlier, you heard Mike talk about how we will evolve the points of presence and create more experience-based environments in our stores. All of this will require more investments in addition to the normal maintenance that we always have.

Importantly, technology and store investments will begin to converge as we better leverage technology to improve our store designs and our operating model in total. While the places we invest may change and the path may not be linear, we fundamentally believe that we will need to increase our spend over the next 5 years.

So let's shift gears and focus about -- let's talk about the focus of those investments. So I just mentioned, we need to keep investing in our stores and our fulfillment capabilities. Both Mike and Rob covered some specifics on these during their sections. Asheesh talked about acquisitions that we have made in support of our health strategy, and while we reserve the right to use acquisitions to further our strategy overall, any new activity that we have is likely going to be pointed at health business and take the form of partnerships.

Now I'd like to cover a few more notable areas of investment going forward. The first area of investment is in our people. Earlier today, you heard that one of our goals is to continue to be one of the best companies to work for in the U.S. The culture at Best Buy is incredibly strong. It's why I'm here, and it's our competitive advantage.

We have exceptionally low turnover rates. Our people are committed to our brand and to their teams. We are recognized as being a great place to work, and we are regarded in the community for our commitment to diversity. Our compensation and benefits are unique and designed to meet the individual needs of our employees, and most notably, we introduced paid caregiver leave, paid time off for part-time employees and enhanced mental wellness resources, just to name a few.

We have been making significant investments in our people over the last number of years, and it's been producing some great results. Our store turnover is in the low 30% range. That compares to 50% 5 years ago. That's 50%. Our store general manager tenure enroll is about 6 years, and nearly half of them started as part-time or seasonal workers with Best Buy. So they have a lot of experience. That is nearly 500 people who have found a lifelong career with us, serving their teams and our customers along the way.

Now I realize I'm in a room full of finance people, just like me, that build financial models for a living. So let me highlight why these people metrics actually matter. They matter because it's more than just intuitive. It's more than just about doing the right thing. Our models actually tell us that strong people metrics do translate to better financial results.

Going forward, a specific area of investment, we'll be developing a flexible workforce model that leverages technology. As you know, worker expectations are changing. Increasing number of people want flexibility in how they work. The ability to work whenever and wherever they want is really important. And this is particularly appealing for the next generation of workers. There are also benefits to employers as well.

Having access to a flexible workforce when we need it and access to specialized skills will be critical going forward. Imagine a Blue Shirt being able to take any shift in any store in any function in the store and being paid for the value of that job while they're doing it. So there was a clear need to keep investing in our people, both as individuals with aspirations and goals as well as how we work and how we interact with our customers. Because like I said, better people metrics will yield better financial results for us.

The next area of significant investment is in technology. Throughout the day, we've heard a lot of examples about how technology will be leveraged to drive our business outcomes. A common thread of technology investments you've heard is in the use of data and analytics. Data and analytics is a foundational capability driving our strategy and enabling an experience and facilitating effective internal operations for us. We have a good foundation of talent and capability today but it needs to be more widespread and infused into everything that we do. First, we need to improve the access to data so that teams can better use analytics to optimize their business decisions. We will also expand these to realtime machine learning algorithms to enhance the digital tools and automate the processes in the back end of our system.

A great example of this would be in demand planning, where we can use data to more accurately forecast demand by geography and by channel, which would not only help us meet the customers' need better but also help lower our inventory cost. Data and analytics will also enable the market strategy you heard Mike talk about earlier today, using data to understand how our customers want to interact with us by geographic region. Beyond specific technologies, we will also need to invest in our teams, our processes, our tools and our ways of working. We spent last year or so assembling a new technology team. Some are new to Best Buy, and some are long-time veterans. Together they form a very strong foundation to help advance our strategy.

Also, as part of our new approach, we will broaden the use of agile product teams beyond the typical e-commerce focus that we've had to all the channels that we serve. Leveraging the way of working across technology will accelerate learnings impact, the impact to our business and the ability to serve our customers more seamlessly.

Next. Earlier, Corie talked about how -- talked about the attributes of brand love. And so with the very, very real risk of a finance person standing onstage talking to all of you about love, let me highlight another reason why it's actually important.

An attribute of brand love is exceptional retail fundamentals. You saw Corie note this earlier. These are table stakes to being a retailer. They also require continued focus and continued investment. It includes things like offers of the latest products and services, but a critical element of this is also offer's competitive price and value. This is nothing new to us. Clearly, consumer-led products is a very competitive business. We have continually made investments over the years across our products, accessories and our services, and we will continue to do that. But being competitive is more than just the price of an actual notebook computer, it also means investing in all the unique capabilities and assets to ensure our customers see the value in our relationship with them.

Today, we have competitive fulfillment options that offer choice and convenience. Our Total Tech Support membership offers unlimited tech support and discounts on other services because we know it's more than just about selling a product. It's also about keeping that product working for all of you. We also offer free In-Home Consultations to help unlock the full potential of your technology.

So while we will continue to invest in being price competitive, we will also continue to invest in the assets and capabilities to meet the customer's need for value.

Our approach to balancing all of these investments with cost efficiencies will not change. This has been and will continue to be an important part of our investment thesis. The need to invest in our business will only accelerate consistently with previous years. Our plan is to continue to take cost out of the business and optimize the spend so that we can reinvest in things that drive growth in the stickier customer relationships.

Since we began this journey a while back during Renew Blue, we've taken out over $2.1 billion -- $2.1 billion of cost. That's a pretty incredible number. And the team has worked very, very hard to achieve it. These reductions have come out of both SG&A and cost of goods sold. And while the path has not been linear, we have consistently been delivering these results. Starting back in Renew Blue, the first tranche of savings came in the form of insourcing corporate resources, renegotiating contracts and divesting from noncore business costs. In the next phase, we further optimized our supply chain spend through renegotiating contracts and improving our supply chain processes. In the latest round, we've built models to optimize our promotional spend and changed our field operating model. So we made a lot of progress over the years. But we still see a lot of opportunities ahead of us.

This brings us to our new goal. Our new goal will be to deliver another $1 billion of cost savings by the end of FY '25. We believe technology will be the key to delivering on this new goal. We've highlighted a few areas in the deck where we believe we have opportunities to reduce costs and optimize our spend. Some of these are continuation of efforts. And some of these are brand new.

One opportunity I like to call out is our -- is in our returns and reverse logistics. This opportunity has 2 parts to it: the first part is about selling it right the first time. We can use data and machine learning to prevent returns in the first place and engage our customers in a more personalized fashion.

In addition, we can improve the interactions across the channels and the capabilities to not only avoid the return but also improve the customer satisfaction along the way.

The second part of this is about the disposition of the product once it has been returned. While we have made improvements over the last number of years, there is further opportunity to optimize the value of the inventory by effectively using various channels that we have. For example, over the past couple years, we've added 13 outlet stores. These stores have allowed us to optimize the value of open-box appliances by selling them directly to the customer instead of through our various liquidation channels. In addition, moving more of this product to an outlet store allows us to operate in a more profitable and shoppable core store experience.

For some people, the $1 billion might sound like a stretch, given how much we've already accomplished. But I think it's important to keep in mind the base of costs that we're working with here. We spent over $40 billion of costs between SG&A and the cost of goods we sell, so even though we've been very successful up to this point, we believe that finding the roughly 2% of efficiencies across that base to offset investments is a very, very achievable goal.

And now the time is finally here -- actually, we just wrapped with the fourth business outcome, sorry, about building and maintaining profitability over time. And I got a little anxious myself actually. The time is finally here to talk about the financial outlook going forward. So let's talk about how this all rolls together. First, I'd like to reflect back on our financial performance over the last number of years.

As a reminder, when we outlined Building the New Blue strategy in 2017, the overarching tenets of our financial accretion was to grow our top line and keep our operating income rate flat as we reinvest in our business. Since our last Investor Day, we generated an enterprise comp of 5.6% in FY '18 and 4.8% comp last year. So we made good on our goal of growing the top line.

By the end of this year, we expect to have 6 straight years of positive comparable sales growth. Over the past 2 years, we've maintained a non-GAAP operating income rate of approximately 4.6%, which is at the high end of our 4.4% to 4.6% range we had provided on our previous FY '21 financial targets.

As we look back, we've lifted our operating margin by almost 200 basis points since FY '14. Over this time, we've also been able to leverage our cost-reduction efficiencies to invest back into our business while also seeing returns on our investments along the way. Our non-GAAP EPS range for FY '20 is roughly triple, triple the FY '14 non-GAAP EPS due to stronger operating performance, share buybacks and the lower effective tax rate from tax reform changes. Our 5-year shareholder return is higher than the S&P average and above the top quartile for that period. We are proud of that performance.

This is shaping up to be another year of growth. As we updated you at the end of Q2, we now expect annual revenue growth to be in the range of 0.7% to 1.7% with operating income rate flat to 4.6% to slightly up so a continuation of top line growth and a steady operating income rate.

Our return of capital plan is also on pace, committing to be a premium dividend payer and repurchasing shares in the range of $750 million to $1 billion for this fiscal year.

While we're excited about the financial progress this year, there's clearly some uncertainty stemming from the tariffs from China that have been or scheduled to be imposed. As a reminder, our best estimate of the impact in FY '20 has already been included in our guidance noted earlier. This is obviously a complex and rapidly changing environment.

As we said on the Q2 earnings call, although we estimate our current percentage of COGS from China to be about 60%, we believe the estimate for next year is closer to 40% as our vendors continue to move their manufacturing out of China and into other countries. We also believe that the actual impact to our business is a much smaller number than that -- than those percentages might indicate, based on the actions of our vendors and our own mitigation strategies. So while we -- while there will be some near-term volatility, we expect to adapt to this new environment.

As we look forward, we believe that over time, tariffs will normalize. And by this, we mean, they will either stay in place, and within a few years, everyone will evolve to a new environment where there's a new normal, or tariffs go away completely and cease to be a concern.

One thing is for certain, tariffs do not change our excitement about our strategy. They only magnify the importance of keeping the customer at the center of everything that we do as we believe that is our core differentiator in any environment we're in. So we remain focused on our execution and delivering strong financial results.

One of those strong financial results has been our cash generation. We delivered about $1.4 billion in cash per year over the last 5 years. This cash has allowed us to invest in our strategies and return capital to our shareholders.

And with that, our capital allocation strategy will remain unchanged. Our first priority is to reinvest in our business and drive growth and the strategies that you heard today, which may mean we explore additional partnerships and acquisitions. These would most likely come in the form of capabilities in the health space that I mentioned earlier. We also plan to continue to be a premium dividend payer and return excess cash through share repurchases. And as you can see, we returned a significant amount of capital to shareholders over the last 4 years, $7 billion to be exact with over $5 billion in the form of share repurchases at the average share price of $47 a share. That is a great return.

We will continue to at first invest in our business and fuel our strategy and drive growth, and then we will look to return capital to our investors. During the Renew Blue turnaround 7 years ago, we had built up a rather healthy cash position that contributed to the larger returns to shareholders over those years as we worked down the balance. Although we are not going to provide a specific target how much cash we'll maintain on the balance sheet, we feel like our current cash position reflects a more normalized level.

As we look forward, the future free cash flow is a good benchmark for what will be available for potential acquisitions, dividends or share repurchases. This brings us to our FY '25 financial targets. In this next chapter, our focus continues to be on top line growth. The $50 billion sales target by FY '25 represents a 2.9% compounded annual growth rate. Today, you've heard some of our strategies to deliver on that growth.

We also believe the strategies we outlined today, along with continued focus on cost reductions and driving efficiencies, will expand our operating margin rate over that same time. The path to $50 billion and 5% by FY '25 may not be linear. We expect to see fluctuations between quarters and years on the path to these goals. While we also expect some near-term volatility caused by tariffs on goods from China, as I mentioned earlier, our outlook assumes that they normalize over time. Our strategy will take some time to develop and implement, so we're giving ourselves a 5-year time frame to achieve these goals.

So with that, let me finish where I started and say it's a true honor to be here representing Best Buy, and we believe this strategy, when unlocked by our people, will deliver amazing results for our employees, our customers and our shareholders. And with that, I'd like to bring Corie Barry, CEO, back on stage. Thank you.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

All right. Thank you, Matt, and thank you to Mike, Asheesh and Rob. All of these leaders should give you a glimpse into the depth of talent at Best Buy. And I believe you'll appreciate engaging with even more leaders over lunch. Our progress as a company is a direct result of our dedicated people. And my partners on the management team are a direct reflection of this exceptional company-wide talent.

I want to take a moment to underscore our goals. Best Buy is an exceptionally human company driven by our purpose to enrich lives through technology. The real needs of customers, how they live every day is what gives us our motivation, our energy, and they're at the center of everything we do.

We deliver through our unique combination of tech and touch brought to life by what you heard over the last few hours as some examples, from our in-home consultations to our total tech support to the way they are bringing to life the health strategy, even all the way to our incredible advancements in supply chain. Our people and our focus on customer needs is singular and crucial to our success.

We're excited about our goals, not just because they deliver meaningful returns to shareholders. We're excited about our goals because they reflect a future in which we continue to invest and build, giving equal weight to important and differentiated priorities, and we create a company where tens of millions of customers have a significant relationship. As we do this, we believe we can continue to make this a place where people love to go to work, a place that will go above and beyond to help each other succeed and to make customers' technology dreams come true.

At the start of the presentation, I said there were 4 thoughts I wanted to leave you with. Our strategy is the right one, and it's working. As we continue to execute, our strategy will also continue to unlock further profitable growth. We gave some specific examples of how we'll do this, and we've set achievable but aggressive targets for ourselves as tangible examples of the outputs of this strategy.

I believe we addressed each point with clear examples of our differentiated approach when it's incredibly hard to duplicate at our scale. Our investment thesis remains strong. I can't underscore that enough.

Our proven ability to execute, combined with our unique suite of assets and customer-centric approach all enhanced by financial strengths and attractive return is a unique combination, one that we believe will continue to differentiate and return well for our shareholders into the future. We're the only company that can really meet the technology needs of our customers, the only one with our exclusive suite of assets and knowledge.

Our investment thesis underlies our belief that no one else can do this the way that we can. Our excitement genuinely runs deep. This is fun work. You all know we sell fun stuff. I'm certain you can feel that excitement across Best Buy, in our stores, in customers' homes, even in our digital assets. We love what we do and we love to share it.

We love to share it so much that we're running a little long. So thank you today for being a part of our update. It's been wonderful to share our progress with you. We're going to take a quick 10-minute break, and then I'll invite the management team to join me on stage, and we'll field your questions. So we'll see you in 10. Thank you.

(Break)

QUESTIONS AND ANSWERS

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Welcome back, everybody. We are now about to start the Q&A session. So if you have a question, please raise your hand and a mic will be brought to you. Please, if you would state your name and your company, that would be great.

Michael Lasser - *UBS Investment Bank, Research Division - MD and Equity Research Analyst of Consumer Hardlines*

It's Michael Lasser from UBS. Two questions. One, can you provide more of a bridge on how you get to that 3% compounded annual growth rate over the next 5 years, especially in light of the fact that, over the last 5 years, your same-store sales has averaged just under 2.5%. Should we think about this as that's a base and then the new businesses are going to contribute to that?

And then my second question is, Corie, I think the market's become accustomed to Best Buy underpromising and overdelivering. You said yourself that, underpromising and overdelivering, and you said yourself that these are aggressive but achievable goals. So can you provide a little insight on maybe a shift in philosophy of providing more aggressive targets now than you might have in the past.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. Maybe I'll start with the latter question. Matt can fill in some color on the bridge. We were thoughtful about setting targets that we felt like would build on to your question, the base of the business as we see it but provide us some room to grow, particularly the new initiatives and the health business over time. And I wouldn't call it a change in philosophy, necessarily. We thought it was really important to put some stakes in the ground for where we thought the business could go based on what we could see in the initiatives and in the health business and in the base business as we see it today. So I think it's us trying to push ourselves a bit. And that's why we also importantly had employee and customer goals that went along with it because we felt like that full suite, we needed to push ourselves a little bit on what we thought was possible from here. But all of that anchored in really a trajectory we can see from today.

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Yes, to the first question you had, so the path to FY '25, we think about the 2.9% CAGR, it's not going to be linear. We're not going to give specific breakouts for the years. But if you think about that, it's a combination of our core business and the initiatives that we have, many of which you heard today, so it's a combination of those 2 things. And I think as you think about the period of time of 5 years. I think in the first few years, maybe a little lower on the side of that growth, and the last few years a little higher as we start to ramp up and build our different initiatives, namely the health, which takes a little time to kind of grow and foster. So a little more weighted towards the back half in terms of that trajectory of comp.

The core business is really we're anchoring on PCE growth. And so we're kind of incremental how it has been performing over a 5-year period, expecting it to perform pretty similarly to what it has been doing. Those are the big breakouts.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Simeon.

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

Simeon Gutman, Morgan Stanley. Corie, one quick follow-up. The aggressive but achievable comment. Does that -- could it apply more to sales, cost saving or margin. And then my second, I'll pause, and I'll ask Asheesh after.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Well, we wanted to make everything aggressive but achievable. I think if you look at it based on the business runway in front of us, particularly driving out the sales and top line and making sure that -- again, the reverse of this question is, well, what are the risks on your plan? Well, the risk is in our control because it's very much about being able to execute on a level of service and the level of customer relationship. And so that is what will translate directly into that level of growth and then, therefore, also bringing to life the health business, the margin expansion that we have.

Simeon Ari Gutman - *Morgan Stanley, Research Division - Executive Director*

Okay. So 3 parts for you, Asheesh. The health services, it's not traditionally in your wheelhouse. A lot of companies are in the edge of health care, maybe drug stores, insurers, even Walmart. I guess what's special about what you think your offering looks like? A second part of it is the 3 buckets that you showed on the chart, health tech, care coordination, remote monitoring. Can you give us relative size of opportunity? And then where's the insurance community stand on this? Are you thinking of partnering with one? Or are you going to be agnostic to all?

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

Well, firstly, thank you for giving me the homework of reading that 67-page report that was published. That was terrific. The first part, which is on the differentiation, that's what's unique and what exactly are we doing that is unique to us. The fact is we are very focused in bringing health care into the home, specifically for seniors. And we are not straying from that specific objective. And the reason for doing that is, at the heart of it, lies this ability to bring technology into the home in ways that we can do at scale. It's about -- when we talk about remote monitoring, as an example, these are placing tiny sensors in different parts of the rooms, making sure that we can go calibrate them and so on. So, it requires access into the home at a scale that very, very few companies can do other than what we can do with Geek Squad. So our play is in that space, which is seniors in the home powered by technology, and we do think that our capabilities are quite differentiated.

In terms of the breaking between the 3 core strategies, hard to say right now because the world of health tech distribution is beginning to gain momentum. I think in the Q2 earnings call, we talked about the fitness equipment as one of the opportunities as an example where there's things happening. So early days in that. In terms of monitoring, it's not only early days of that technology, it's actually the early days of that construct within the health-care industry. So there are a lot of papers being published. We are published ourselves, which showed the demonstrable value associated with those things. But again, the insurance industries and the health-care providers have to start getting comfortable with that. So there's lots of trials and pilots that are going on around that. So it's hard to decompose those things. But the reality is that we have now built capabilities in each so that we can at least pursue it.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Wow. Scot.

Scot Ciccarelli - *RBC Capital Markets, LLC, Research Division - MD & Consumer Discretionary Sector Analyst*

Scot Ciccarelli, RBC. You guys made a pretty big pivot towards health care over the last couple years and the application of technology there. Are there any other big industries or sectors or categories that we could potentially see you lean into as you build that service and technology capability?

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. I mean, I think, right now, you can't always see what's coming next. One of the things that I even mentioned from onstage is the 5G technology as a source. That's a little bit of a different question because that speed that can enable connectivity, particularly across devices in your home over time, that whole devices will be made to capitalize on. And this isn't just about -- I think everyone conventionally thinks about it as a mobile phone technology. This will actually increase the pipe that goes into your home, therefore, creating a whole new suite of products that will serve that particular source. So I think it's not always just about is there a whole nother vector that's interesting. By the way, I think we'll continue to try different vectors. You can even see it on our website. We already have, not just the health fitness -- connected fitness side of things, but we actually have health tech on our website as well. We'll continue to try some of the different product areas. But I also think technology innovation and new innovation will come from things like source as well.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Peter.

Peter Jacob Keith - *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Peter Keith with Piper Jaffrey. Great presentation today. So I want to just reflect back on the last 2 years and then looking at the guidance looking forward. So the sales growth the last 2 years was tremendous. You actually doubled your forecasted CAGR. But you came in at the -- just the high end of the operating margin guidance range. So it looks like maybe it got more expensive to do business or you made investments in order to accelerate what's going on now. Given that backdrop, how should we think about the go-forward if you were to exceed that 3% CAGR in future years?

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Yes, I think I'll start and Corie can jump in. I think as you think about the 5 years, we've talked a little bit about it. I wouldn't expect the path to necessarily be linear in terms of the top line or even necessarily on the bottom line. We're balancing a number of things. We're balancing our investments and our cost reductions and just the time it takes for some of our initiatives to take hold. We're also giving ourselves some room to navigate the near term as we're facing the tariff situation that we have. That's mostly an FY '21 type of occurrence. We believe, over the period of 5 years, it starts to normalize, as we suggested. So I think there's a possibility of staying pretty linear for a while and maybe growing as our health business starts to ramp up and expand our margin rate. That's part of the bigger chunk of the -- of why we need expansion in -- towards FY '25.

Peter Jacob Keith - *Piper Jaffray Companies, Research Division - Principal and Senior Research Analyst*

Okay. Just to ask one last question on health care. So it's a fascinating concept. And I think people believe that it's invaluable long term. But I think investors have a hard time putting numbers around it and what it means to you. So the 5 million number that you gave for seniors that you'd like to have, can we think about like an average revenue per member, something to help us build up to the size of what this could mean to your business in future years?

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

We're -- right now, we're, of course, not providing the specifics around revenue per person. But I think what is important to recognize is the overall structure of thinking there, which is that this would be a blend of consumer-driven businesses as well as commercial contracts. And commercial contracts by definition are multi- or longer-term higher-ARPU businesses. So all I want to highlight was that this blend gives us a degree of stability as well as hopefully increasing ARPUs over time.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Greg.

Gregory Scott Melich - *Evercore ISI Institutional Equities, Research Division - Senior MD*

Greg Melich with Evercore ISI. Two questions. One is a whole follow-up on the investments. So you gave a nice plan for CapEx. Could you describe the P&L investments that would go along with this, given how the business is evolving? And then a second question, I think, for Corie but even generally, I'd love to hear everybody's experience on this as the business really transforms to this more services-driven subscription model, et cetera, how do you keep scaling the service along that? And how important is culture to that? And how do you express that into all the different parts of the business?

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

I'll start with the investment part of this. So from a normal operating expense type of investment in addition to the capital, we mentioned some of those that are on price and value. There's obviously things as we're trying to develop some of our unique capabilities and assets that help drive that value, they'll sometimes fall within the normal operating expenses, whether it's our My Best Buy program membership programs, they can fall in there. I'd say also on the people side as well, though there'll be some capital involved with people investments in the form of how we're developing technology to create a flexible workforce, there's also just the normal investments we make with our people every year in terms of benefits and wages that we're always being thoughtful about. We're very competitive today, but there's always a continued look at that from a normal operating expense.

Gregory Scott Melich - *Evercore ISI Institutional Equities, Research Division - Senior MD*

So a mix of gross margin and SG&A (inaudible)

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Yes. They'll be a mix of gross margin and SG&A. As there always is, there's always a mix of gross margin and SG&A.

Gregory Scott Melich - *Evercore ISI Institutional Equities, Research Division - Senior MD*

(inaudible) so we can think of (inaudible)

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

I think with the way we're -- we're going to approach like we have approached it in the past where when we can find efficiencies and savings, we'll fuel that back into the business for the most part. The expansion has mostly to do with our getting into different initiatives that help us as being one of them, instead of a cost reduction that's slowly falling to the bottom line. We're intending to invest when we can to drive the strategies and create that stickier customer relationship that we talked about.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Your question on the culture of service and how to go -- one of the slides we had talked about the ability to clientele at scale. And part of the reason we've taken our time rolling some of these initiatives is because the level of service, the dedication to that end customer experience is fundamental to being able to create any kind of scale here.

Because the truth is, when you're talking about a clientele at scale model, every interaction has to feel personal, has to feel like the customer's known, has to feel like we genuinely have the customer's back. And the work that's been done over the last couple of years to create, not just for IN-Home Advisors, not just for Geek Squad agents but across Best Buy to create an environment where we are constantly trying to think about how experiences show up in a personalized way has completely changed the focus. I mean, because this shows up in everything from when someone is in my home to, frankly, how I use the app. As a very digital shopper myself, that experience also has to be personal and has to feel like I'm thinking about you as the customer. And so I think the work that we've done to culturally put the customer at the center of what we do and then empower our employees to go genuinely the extra mile, that's part of why we're taking our time as we roll these initiatives because we want every one of these experiences to genuinely defy customers' expectations.

And look, it's interesting. I mean, even when you're preparing for something like this, you debate how much time you spend talking about your people and the culture and how differentiated that is. I don't know exactly how to articulate how different a culture exists at Best Buy between our Blue Shirts, our Geek Squad agents, our In-Home Advisors and how much they care about bringing technology to life.

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

And Greg, I would just maybe add in. It's why we wanted to give this room the update around why we changed the operating model because it was designed by the team members that actually had to help us on this pivot. And transparently, the core of our business is still quite strong, but it's very focused on the transaction still because of the way the world works on an attachment. We're looking to measure everything like you'd imagine. And I can tell you any statistic you'd like and trying to get our team members to think about, no, we're building a relationship with the customer, which means there's certain things that we're going to do that we haven't done in the past will take a bit of time. It's the conversation we led around evolving of memberships. I think My Best Buy is one of the best loyalty programs in all of retail. And we have over 100 million people who are actually My Best Buy members. But it's time to start thinking about that differently and use that as a tool for our market teams and for our digital teams to actually continue to build the way we'd like to have relationships maintain with the culture that Best Buy brings to bear.

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

And if I could just add one quick thing. This phrase that almost all of us use, tech and touch, is going to almost defining what we are as a company. It's very true in the health business but even more broadly that is not just by bringing tech, but the unique combination of bringing tech with that human touch brings about all sorts of new use cases.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Caroline.

Caroline Conway;AllianceBernstein;AVP Retail Equity Research

Caroline Conway from Bernstein. Thank you very much for the presentation today. A lot of great detail, I think especially on the services side and delivery through the in-home piece and the online piece. The question that it's leaving me with is, what does that mean for the role of the stores going forward, especially as you're talking about investing in some remodels and investing in the supply chain to support omnichannel. Is the store element really going to be about the customer experience, the experiential shopping? Or is it going to play a bigger role in that model?

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

Yes, that's a great question. And definitely, Corie and Matt can start -- or chime in. It'll play both, to be really fair. We have 1,000 stores that are in various different states of experiential merchandising, all playing the fundamental role of this hub for pickup and from ship from store locations and a place where employees learn their sales craft, we see there's an opportunity in a lot of our markets to do an even better job of how we create experiences with the evolution of technology, whether it's 5G in certain markets or the different immersive displays that are coming or the host of other things we see, there'll always be an opportunity to do engagements and partnerships, either on our owner with vendors. And I think there's going to be an opportunity in all our locations to improve what we do for fulfillment. And some locations might be more fulfillment-focused just based on what we need in that market in different sizes and formats than we've seen in the past. And so I look at this, and we always get asked, and I look at it in 2 different lights around as why do you still have 1,000 stores, I hear sometimes. Or two, how many of your stores need to evolve to something different. The answer is they actually serve the purpose of our current strategy and what we're trying to do going forward quite well. But we can see that there's an opportunity to invest and drive a better outcome.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. I mean I'd -- all I would add is, we fundamentally believe our stores are one of our greatest assets. And we have very few customers that shop us in only one channel. They shop us across experiences. That doesn't always mean they transact in the store, but they want the ability to leverage across our channels. And so whether it's the stores as an asset for fulfillment or whether it's the stores as an asset for research, either way, we fundamentally believe it's important to continue to evolve them as an asset.

Caroline Conway;AllianceBernstein;AVP Retail Equity Research

That's great. And just one quick follow-up on the supply chain side. Can you give a little bit more detail about what the go-forward investments are going to be related to the store wall?

Robert L. Bass - *Best Buy Co., Inc. - Chief Supply Chain Officer*

Sure. We -- as I said, we're about 2/3 of the way through. So we still have another building or 2 to finish the automation at that automated storage and retrieval system. And then we're going to come back through, and I talked about the packaging machines that we like. We're going to make sure that all of our centers have that type of technology and the efficiencies of that technology and then, again, just being great to our environment with that type of boxing technology.

So in our centers, that's what we're doing. Mike touched on it a little bit. Our stores are a tremendous asset for fulfillment. And we've asked a lot of them and haven't put in everything we need to, to make it easier for them. So we're going to go back and figure out what are the right stores that need a little shot in the arm that will be more of a fulfillment hub for us and make sure they have the right tools and technology to move forward. And then as we do that, we'll be able to unlock some of those things I talked about with even faster replenishment or tighter windows that we can guarantee and expand those offerings.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Caroline, can you pass the mic to -- behind you or to Scott.

Scott Mushkin;R5 Capital;Founder and Chief Executive Officer

Scott Mushkin from R5 Capital. So I was going to take the other side. We started off with revenues and that you said aggressive plans. If I kind of sit here and say, okay, we have new service offerings. We have new markets we're addressing. We have 5K technology coming at us. It seems to me that I would say the revenue goal should be, if you're successful in executing, we should maybe look for more.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. I knew this question would come from both sides. This is good.

Scott Mushkin;R5 Capital;Founder and Chief Executive Officer

Yes. So I mean, it seems like you could inflect and see -- bring this company to a higher level of revenue growth if some of these initiatives work. What's wrong with that thought process? And I'd even go to the margin side, the margin profile could actually change a little bit if what you guys are thinking about is successful.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

I think we're always trying to find the balance between the absolute full potential of what we think we could achieve and the right road map to give our teams enough room to navigate what is still a bit of an environment in flux, be able to make the right investments, be able to learn, iterate and change. And so I genuinely I'd say (inaudible), but we know both sides of the question would come. They even come internally as we think about setting a target like this. Would we love to exceed the targets and will we try to do everything? Absolutely. That would be a lovely outcome. But I think this gives the team a really nice, aggressive, and that's why we used the language aggressive, but attainable target that would lift up all of the strategies that we put in place.

Scott Mushkin;R5 Capital;Founder and Chief Executive Officer

And just as a follow-up, looking at these by models, too. I mean in thinking about what you guys laid out here, the company could look fundamentally different 5 years from now than we've thought of Best Buy in the past. Is that an accurate way to think of what you're trying to do?

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

I'll start. I think that right now, the nature of the remodels is, I'm going to call it an evolution not necessarily a revolution. We're still here to be a great retailer of consumer electronics.

The question is, what experiences might we highlight. When I come into a store, how do I really understand what an In-Home Advisor could do for me or how products fit together. We aren't great at showcasing some of those experiences or even, to what Rob talked about, really highlighting fulfillment options in the store and giving the store the opportunity to make that seamless for the customer. And so I think there will continue to be some evolution in how it shows up, but I don't think, in 5 years, I don't think it's necessarily completely shifted into like we're a health-care provider. I think we're a great consumer electronics retailer, and we're going to continue to evolve the store.

Robert L. Bass - *Best Buy Co., Inc. - Chief Supply Chain Officer*

Yes, I think what you'll see is that -- what you physically see may not look materially different as many even in this room. Internally, we'll know how it's different in the way it's performing. I think what you'll feel on the way, if you're a customer that has an adviser or if we're into some version of a new membership program, today, you don't know when you go in the store, the store team doesn't know you're a customer that has an adviser or where you are on this significant customer relationship event experience with us. And I think that evolution of you knowing where you are in regards to your relationship with Best Buy, but more importantly, we know wherever you're shopping with us, including our stores, which today, we wouldn't know, which will be what I think the biggest change you'll feel in the market and our stores.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Mike.

Michael Baker;Nomura Securities;Analyst

Mike Baker from Nomura. Can I ask about the in-home advisers. What are you seeing in terms of churn there? Any kind of wage pressure? I think you're at 600 now. A year ago, you were at about 530. The year before that, you're at about 300. So the growth of that has kind of slowed a little bit. But is there any churn? Is there any problem hiring, those types of things.

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

Yes, I'll start, Mike. Corie can chime in. So our ramp on this role of -- isn't basically on the demand that I think is available to us. It's based on us getting the right level of caliber employee into the system and getting them trained. And that takes effort, and that's what we've been looking at this year because we want to keep the results we're seeing as we continue to scale. We also talked about our Magnolia system designers. We have over 900 of them. And this universe of really smart -- and they are well compensated, so I'll circle back there a second, employees are our lowest turnover staff to start with. And we're trying to figure out internally how do we better integrate the tools we've been building, so all of that universe of these 1,500-plus professionals can use the same systems and tools to take care of customers. These roles are in our highest compensation bracket. So we've -- first, I don't see any wage pressure. And we need to figure out how to get the right people into the roles, get them trained, use these tools to help keep them trained. But also then, when there is churn, when somebody has an adviser that decides to do something else, heaven forbid, leaves Best Buy, we'll be able to quickly secure your new adviser and they'll -- portfolio and hope that goes over with them.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

This is an incredible career path opportunity, particularly internally. And so the truth is, we have a pretty good pipeline internally of people worked at Best Buy a long time, have lots of experiences and can be an IHA. And we're even working on how do you create different levels of adviser so that I have career pathing even within those jobs. So we're really happy with and have been for a long time. Even our Geek Squad agents who go into the home tend to be some of the lowest turnover that we have.

Michael Baker;Nomura Securities;Analyst

If I could ask one more follow-up on the health care. That 5 million customer number from 1 million today, so up 5x in 5 years. Is that like built into that revenue number? Do you need to achieve that to get to that $50 billion?

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

We have to achieve that to meet the potential of what we believe internally as the businesses.

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Part of our goal of getting $50 billion would include a portion of health care. Yes.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Mike, can you hand that mic to Anthony.

Anthony Chinonye Chukumba - *Loop Capital Markets LLC, Research Division - SVP*

Anthony Chukumba with Loop Capital Markets. Thank you for the presentation. It's very, very informative. Just have one question on Best Buy Health. You talked about the fact that you had to sort of build these capabilities or acquire the capabilities to serve seniors, and you made these acquisitions, GreatCall, CST and BioSensics. And I guess my question is, are there any additional acquisitions or any additional holes that you think that you need to fill in terms of getting to that target of going from 1 million seniors to 5 million seniors?

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

I'll start. Firstly, at this time, we do have the nucleus of capabilities to get going, so we are actually excited about the state at which we are today. Secondly, there is a degree of customization that happens in health care. I mean 2/3 of the health care economy is through insurance companies and health-care systems. So when you're working with them, you are always looking for capability additions that are needed to better serve these large entities. And third is I do think, in the phase ahead, strategic partnerships will play a more meaningful role than we have talked about thus far. So I don't know whether we'll do more acquisitions or not because that depends on circumstance. We'll always look at build by partner very carefully, as we always do. But I did want to highlight that the role of strategic partnerships is likely to be a bit more tangible.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Kate or right there. That's great.

Paul David Kearney - *Wolfe Research, LLC - Research Analyst*

Paul Kearney, Wolfe Research. Another one on health care. Are there limitations to the type of home health technologies that Best Buy will be involved in outside of remote monitoring, such as things -- there's other types of home health technologies, things like remote dialysis monitoring, glucose monitoring, things like that and I guess sort of more invasive. Does Best Buy necessarily want to get into that space? Or is it going to stay remote monitoring? And then second, is the health business a positive margin contributor to your 5-year outlook? That's it.

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

I'll pass the latter to our CFO. But the former, we are constantly studying what it takes for seniors to live longer in their homes. Right now, what we have is what is called activities of daily living monitoring, that is monitoring, putting sensors in the bed, in the toilet in the refrigerator and the rooms and so on. And based on that, running some algorithms to provide some meaningful alerts to the health industry. This capability alone is very valuable. This capability alone has very published empirical evidence on improving cost to serve, improving outcomes and so on.

So for us, for now, I think that is what we're trying to get going and very excited with. How it evolves, some of the vectors that you suggested could potentially be some of the vectors, but it's hard to say. Right now, our entire objective is what we have, can we start to monetize that? Can we start to put that as real business.

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Yes, the 5-year -- over the 5-year period, the health business is a positive contributor to the OI and part of the -- a bigger part of the OI expansion that we're expecting.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Curt.

Curtis Smyser Nagle - *BofA Merrill Lynch, Research Division - VP*

Curt Nagle, Bank of America. So maybe piggybacking on the discussion on health monitoring. I guess kind of thinking about the customer that you're going to be serving and maybe a customer that is a little more tech sensitive or perhaps apprehensive about privacy and using this type of technology, I guess, how do you get them to buy in? And maybe what early lessons have you seen from tests like Assured Living?

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. So this is where we've been learning a bit, and Asheesh, please pile on. I think there's 2 people, I'll just say, that really have impact here. One is the person being cared for, the elderly, and the other is typically a caregiver. Sometimes that looks like an adult like me caring for my 100-year-old grandma. Sometimes, that actually looks like you're getting care from a facility or somewhere else.

And what we're learning is what's the right point of entry for both of those parties. Because often, you need both of them to be onboard together. We started with assured living, and what we learned is it's hard to sell this as a consumer product in a store or just reaching out to the customer because you have these 2 very interested parties, and it's a very big decision. What started to make more sense was thinking about how we work through payers or providers as just a benefit that's already included in your coverage. That seems a little bit more natural and you can better articulate the advantages of what it is we're trying to do.

Asheesh Saksena - *Best Buy Co., Inc. - President of Best Buy Health*

Yes, exactly. And just one small thing that also are entering to the world of monitoring was through what is called activities of daily living, where the senior does not have to change his or her life patterns. Like he doesn't have to stand on a weighing scale, or he doesn't have to put something

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on the arm. These are sensors that are just completely unobtrusive, and the senior continues to live life. So all of that was part of that same thought process on how do we make it effective. And I think that's a very good question.

Curtis Smyser Nagle - *BofA Merrill Lynch, Research Division - VP*

And then just as a quick follow-up. I guess I was a little surprised that there wasn't more focus or numbers around some of the opportunities from coming innovation, I guess, more specifically, upgrade to 5G. So how does this perhaps fit into your 2025 numbers?

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Sorry.

Matthew M. Bilunas - *Best Buy Co., Inc. - CFO*

Two conversations, I apologize.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Yes. So you're just interested in how does 5G fit into this?

Curtis Smyser Nagle - *BofA Merrill Lynch, Research Division - VP*

Is 5G -- how does that fit into the 2025...

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

I'll start and then maybe Corie can add perspective on this one. Best Buy has a proven history of commercializing all new technologies. And we leverage everything from the insights we have to the current model we have, which now is going to have specific market operating structures and being in people's homes, and we can take that with these technology partners and providers, in this case, it's carriers to figure out what the best way is to leverage what they would like to try to get done with our ability to know how to do it. And the one thing we do know about 5G, it is going to be a market-by-market rollout. And we're going to need to be showing consumers 2 things. In our stores, what's possible. But more importantly, when one of our advisers is in home doing consultation, the ability for us to look around the house, have a competent conversation, say listen, there's some things we can do to really change the way this technology is going to solve your needs is how we get excited about it. We didn't size it today because it's still new and we've been talking about 5G for as long as we've always been talking about 4G, but we know it's coming. And it's going to require a different type of sales model to take the best out of it. And I think we're really excited about what we're putting forward as a way that Best Buy can play a leading role at the endpoint of creating value for customers.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

That's perfect.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Right here.

Steven Paul Forbes - *Guggenheim Securities, LLC, Research Division - Analyst*

Steve Forbes, Guggenheim. So I believe it was you, Corie, who spoke about doubling the number of relationship events over the next 5 years or so, in the view that, that average customer would spend 1.5x, right, the average. So with that, how would you categorize or segment your customer base today and then as we think about sort of the existing wallet share opportunity. And then if you can provide a little color or at least a time line on the planned integration of paid services into the My Best Buy rewards program.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

So I'll start, and maybe Mike can give some more color on membership. In terms of the significant customer relationship events, when we talked about the 1.5x, that was people who love the brand. And we think those relationship events turn into, in our experience, people who love the brand. And we -- right now, in terms of really quantifying how many people would identify themselves as loving the brand, we have a long way we still can go to drive that brand love because it's not just around service and support. It's around all the attributes that we talked about. But we think we differentiate most in the service and support bucket.

So we are not exactly going to break every one out and give you percentages of people who love the brand because it's a little bit, obviously, it's squishy. But importantly, we track it because the real metrics that drive it, our ability to help people across channels, our ability to help them navigate digitally, our ability to have our blue shirts help them, those all add up to, at the end of the day, people who come back to us more frequently because they actually love the brand. And so we'll keep an eye on that. But we thought the target of those relationship events was really important because it's tangible, and we can provide some updates on whether or not we're progressing.

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

And to add on to that question, Steve, it's a good one. And it's purposely why we didn't talk a lot about My Best Buy. But the context is important for this group to understand that, when we look at a significant customer relationship event, while we love having all these My Best Buy members, it's really hard to look at how they characterize themselves to actually equate into that, that falls into the brand-level equation. However, the paid membership, which is growing quite quickly, the total tech support does. And so to answer your question, we won't give you a specific time horizon today but it's something that is top of mind and something we're working on right now.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

If I were to try to level up, what do we all want? We want to be more important to more households in the U.S., I think if I were to really simplify. How do we matter to a household. Because either we can help them buy the stuff or we keep it working. And we want membership to evolve to help with that as well as creating ongoing service relationships that help with that. And so I think, over time, as we get better at understanding real household measurements, that may be another vector we take to help you understand how we're making our progress.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

It's our last question for Ray.

Raymond Leonard Stochel - *Consumer Edge Research, LLC - Analyst of Entertainment*

Ray Stochel with Consumer Edge Research. So could you -- on the market-level operating structure, is there any additional data that you guys can share about what you're looking at in terms of KPIs. So what's the best way to think about the economic functional change of this new operating structure? Is it cost savings? Is it helping underperforming stores? Is it helping better stores perform even better than they used to? And then secondary to that, on total tech support, could you talk about the top of funnel for total tech support and what are some ways that you can improve that top of funnel? And are you willing to ramp up paid acquisition for total tech support over the next 5 years?

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

Yes, good questions. I go back to the market operating model structure. We're just started, and we're 3 months into it. And we're in the middle of our fiscal year. So the amount of KPIs that we've changed right now are at the highest level of just aggregating how market thinks about it and where revenue compensation comes into play, which is something that's really important when you think about Best Buy being a collection of 4 businesses because they truly were and still is reports in our systems around how revenue is being showcased based on where you report up to. The pivot to thinking about winning with a customer in the market, creating a relationship with a customer in market, creating retention with that customer, it doesn't matter which channel it is, the biggest KPIs will start to change. We aren't going to publish anything additional today.

On the top of funnel total tech support, it's something we've been talking about quite a bit. And we actually do 2 things right now that you may or may not see. And the way we personalize our marketing when we put out our e-mails, we talk about our total tech support offer all the time. You may not see it because it's being targeted to the people we think are most likely to take advantage of opening up that e-mail based on their prior purchases with Best Buy. We've spent a little bit of top of above-the-line marketing creating awareness on total tech support, so I'll pull the string on that. We'll likely increase it over time. Which gets to the last part of your question is, depending on how we evolve our memberships, there could be an opportunity to use other mechanisms to increase the total audience of people who want to be a paid total tech support member. Corie?

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

No, that's perfect. Thank you.

Mollie O'Brien - *Best Buy Co., Inc. - VP of IR*

Thank you all for joining us. That was our last question. Thank you.

R. Michael Mohan - *Best Buy Co., Inc. - President & COO*

Thank you.

Corie Sue Barry - *Best Buy Co., Inc. - CEO & Director*

Thank you.
