

BEST BUY CO., INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(\$ in millions, except per share amounts)
(Unaudited and subject to reclassification)

The following information provides reconciliations of the most comparable financial measures presented in accordance with accounting principles generally accepted in the U.S. (GAAP financial measures) to presented non-GAAP financial measures. The company believes that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide more information to assist investors in evaluating current period performance and in assessing future performance. For these reasons, internal management reporting also includes non-GAAP measures. Generally, presented non-GAAP measures include adjustments for items such as restructuring charges, goodwill impairments and gains or losses on investments. In addition, certain other items may be excluded from non-GAAP financial measures when the company believes this provides greater clarity to management and investors. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, the GAAP financial measures presented in this earnings release and the company's financial statements and other publicly filed reports. Non-GAAP measures as presented herein may not be comparable to similarly titled measures used by other companies.

	Three Months Ended			Three Months Ended		
	May 5, 2018			April 29, 2017		
	Domestic	International	Consolidated	Domestic	International	Consolidated
SG&A	\$ 1,665	\$ 165	\$ 1,830	\$ 1,573	\$ 149	\$ 1,722
<i>% of revenue</i>	19.8%	23.7 %	20.1%	19.9%	24.2%	20.2%
Tax reform-related item - employee bonus ¹	(6)	(1)	(7)	—	—	—
Non-GAAP SG&A	<u>\$ 1,659</u>	<u>\$ 164</u>	<u>\$ 1,823</u>	<u>\$ 1,573</u>	<u>\$ 149</u>	<u>\$ 1,722</u>
<i>% of revenue</i>	19.7%	23.5 %	20.0%	19.9%	24.2%	20.2%
Operating income (loss)	\$ 267	\$ (2)	\$ 265	\$ 298	\$ 2	\$ 300
<i>% of revenue</i>	3.2%	(0.3)%	2.9%	3.8%	0.3%	3.5%
Tax reform-related item - employee bonus ¹	6	1	7	—	—	—
Restructuring charges ²	30	—	30	—	—	—
Non-GAAP operating income (loss)	<u>\$ 303</u>	<u>\$ (1)</u>	<u>\$ 302</u>	<u>\$ 298</u>	<u>\$ 2</u>	<u>\$ 300</u>
<i>% of revenue</i>	3.6%	(0.1)%	3.3%	3.8%	0.3%	3.5%
Effective tax rate			19.2%			35.6%
Tax reform-related item - employee bonus ¹			0.1%			—%
Restructuring charges ²			0.7%			—%
Non-GAAP effective tax rate			<u>20.0%</u>			<u>35.6%</u>

	Three Months Ended			Three Months Ended		
	May 5, 2018			April 29, 2017		
	Pretax Earnings	Net of Tax ³	Per Share	Pretax Earnings	Net of Tax ³	Per Share
GAAP diluted EPS			\$ 0.72			\$ 0.60
Tax reform-related item - employee bonus ¹	\$ 7	\$ 5	0.02	\$ —	\$ —	—
Restructuring charges ²	30	22	0.08	—	—	—
Non-GAAP diluted EPS			<u>\$ 0.82</u>			<u>\$ 0.60</u>

- (1) Represents final adjustments for amounts paid and associated taxes related to a one-time bonus for certain employees announced in response to future tax savings created by the Tax Cuts and Jobs Act enacted into law in the fourth quarter of fiscal 2018.
- (2) Represents charges associated with the closure of our Best Buy Mobile stand-alone stores in the U.S. announced on March 1, 2018.
- (3) The non-GAAP adjustments relate primarily to the United States. As such, the income tax charge is calculated using the statutory tax rate for the United States (24.5% for the period ended May 5, 2018, and 38.0% for the period ended April 29, 2017).

Return on Assets and Non-GAAP Return on Invested Capital

The following table includes a reconciliation to the calculation of return on assets ("ROA") (GAAP financial measure), along with the calculation of non-GAAP return on invested capital ("ROIC") for total operations, which includes both continuing and discontinued operations, (non-GAAP financial measure) for the periods presented.

The company defines non-GAAP ROIC as non-GAAP net operating profit after tax divided by average invested capital using the trailing four-quarter average. The company believes non-GAAP ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of the use of capital and believes non-GAAP ROIC is an important component of shareholders' return over the long term. This method of determining non-GAAP ROIC may differ from other companies' methods and therefore may not be comparable to those used by other companies.

Calculation of Return on Assets ("ROA")	May 5, 2018¹	April 29, 2017¹
Net earnings	\$ 1,020	\$ 1,187
Total assets	13,340	13,652
ROA	7.6%	8.7%
Calculation of Non-GAAP Return on Invested Capital ("ROIC")	May 5, 2018¹	April 29, 2017¹
Net Operating Profit After Taxes ("NOPAT")		
Operating income - continuing operations	\$ 1,808	\$ 1,782
Operating income - discontinued operations	1	28
Total operating income	1,809	1,810
Add: Operating lease interest ²	234	233
Add: Non-GAAP operating income adjustments ³	148	(15)
Add: Investment income	55	37
Less: Income taxes ⁴	(779)	(774)
Non-GAAP NOPAT	\$ 1,467	\$ 1,291
Average Invested Capital		
Total assets	\$ 13,340	\$ 13,652
Less: Excess cash ⁵	(2,722)	(3,128)
Add: Capitalized operating lease obligations ⁶	3,908	3,879
Total liabilities	(9,457)	(9,205)
Exclude: Debt ⁷	1,345	1,365
Average Invested Capital	\$ 6,414	\$ 6,563
Non-GAAP ROIC	22.9%	19.7%

- (1) Income statement accounts represent the activity for the trailing 12 months ended as of each of the balance sheet dates. Balance sheet accounts represent the average account balances for the four quarters ended as of each of the balance sheet dates.
- (2) Operating lease interest represents the add-back to operating income to properly reflect the total interest expense that the company would incur, if its operating leases were capitalized or owned. The add-back is calculated by multiplying the trailing 12-month total rent expense by 30%. This multiple is used for the retail sector by one of the nationally recognized credit rating agencies that rates the company's credit worthiness, and the company considers it to be an appropriate multiple for its lease portfolio.
- (3) Includes continuing operations adjustments for tax reform-related items, restructuring charges and other Canada brand consolidation charges in SG&A, and a discontinued operations adjustment for a gain on a property sale. Additional details regarding the non-GAAP operating income from continuing operations adjustments are included in the Reconciliation of Non-GAAP Financial Measures schedule within our quarterly earnings releases. For additional details on the operating income from discontinued operations adjustment, refer to Note 2, *Discontinued Operations*, in the Notes to Consolidated Financial Statements included in the company's Annual Report on Form 10-K for the fiscal year ended February 3, 2018.
- (4) Income taxes are calculated using a blended statutory rate at the Enterprise level based on statutory rates from the countries in which the company does business, which primarily consists of a U.S. statutory tax rate of 24.5% for the period ended May 5, 2018, and 38.0% for the period ended April 29, 2017, and a Canada statutory tax rate of 26.9% for the period ended May 5, 2018, and 26.6% for the period ended April 29, 2017.
- (5) Cash and cash equivalents and short-term investments are capped at the greater of 1% of revenue or actual amounts on hand. The cash and cash equivalents and short-term investments in excess of the cap are subtracted from the company's calculation of average invested capital to show their exclusion from total assets.
- (6) Capitalized operating lease obligations represent the estimated assets that the company would record, if the company's operating leases were capitalized or owned. The obligation is calculated by multiplying the trailing 12-month total rent expense by the multiple of five. This multiple is used for the retail sector by one of the nationally recognized credit rating agencies that rates the company's credit worthiness, and the company considers it to be an appropriate multiple for its lease portfolio.
- (7) Debt includes short-term debt, current portion of long-term debt and long-term debt and is added back to the company's calculation of average invested capital to show its exclusion from total liabilities.