

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2023

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-9595



BEST BUY CO., INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0907483

(I.R.S. Employer Identification No.)

**7601 Penn Avenue South
Richfield, Minnesota**

(Address of principal executive offices)

55423

(Zip Code)

(612) 291-1000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, \$0.10 par value per share	BBY	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒

Accelerated Filer ☐

Non-accelerated Filer ☐

Smaller Reporting Company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ☐ **No** ☒

The registrant had 218,210,535 shares of common stock outstanding as of May 31, 2023.

BEST BUY CO., INC.
FORM 10-Q FOR THE QUARTER ENDED APRIL 29, 2023

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WEBSITE AND SOCIAL MEDIA DISCLOSURE

We disclose information to the public concerning Best Buy, Best Buy's products, content and services and other items through our websites in order to achieve broad, non-exclusionary distribution of information to the public. Some of the information distributed through this channel may be considered material information. Investors and others are encouraged to review the information we make public in the locations below.* This list may be updated from time to time.

- For information concerning Best Buy and its products, content and services, please visit: <https://bestbuy.com>.
- For information provided to the investment community, including news releases, events and presentations, and filings with the SEC, please visit: <https://investors.bestbuy.com>.
- For the latest information from Best Buy, including press releases, please visit: <https://corporate.bestbuy.com/archive/>.

*These corporate websites, and the contents thereof, are not incorporated by reference into this Quarterly Report on Form 10-Q nor deemed filed with the SEC.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets

\$ in millions, except per share amounts (unaudited)

	April 29, 2023	January 28, 2023	April 30, 2022
Assets			
Current assets			
Cash and cash equivalents	\$ 1,030	\$ 1,874	\$ 640
Receivables, net	860	1,141	804
Merchandise inventories	5,219	5,140	6,258
Other current assets	653	647	613
Total current assets	7,762	8,802	8,315
Property and equipment, net	2,321	2,352	2,251
Operating lease assets	2,694	2,746	2,704
Goodwill	1,383	1,383	1,385
Other assets	528	520	596
Total assets	<u>\$ 14,688</u>	<u>\$ 15,803</u>	<u>\$ 15,251</u>
Liabilities and equity			
Current liabilities			
Accounts payable	\$ 4,874	\$ 5,687	\$ 5,492
Unredeemed gift card liabilities	256	274	284
Deferred revenue	1,015	1,116	1,101
Accrued compensation and related expenses	364	405	336
Accrued liabilities	759	843	771
Current portion of operating lease liabilities	625	638	636
Current portion of long-term debt	15	16	15
Total current liabilities	7,908	8,979	8,635
Long-term operating lease liabilities	2,128	2,164	2,121
Long-term debt	1,155	1,160	1,170
Long-term liabilities	704	705	558
Contingencies (Note 10)			
Equity			
Best Buy Co., Inc. Shareholders' Equity			
Preferred stock, \$1.00 par value: Authorized - 400,000 shares; Issued and outstanding - none	-	-	-
Common stock, \$0.10 par value: Authorized - 1.0 billion shares; Issued and outstanding - 218.5 million, 218.1 million and 224.6 million shares, respectively	22	22	22
Additional paid-in capital	-	21	-
Retained earnings	2,454	2,430	2,417
Accumulated other comprehensive income	317	322	328
Total equity	2,793	2,795	2,767
Total liabilities and equity	<u>\$ 14,688</u>	<u>\$ 15,803</u>	<u>\$ 15,251</u>

NOTE: The Consolidated Balance Sheet as of January 28, 2023, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Revenue	\$ 9,467	\$ 10,647
Cost of sales	7,317	8,294
Gross profit	2,150	2,353
Selling, general and administrative expenses	1,848	1,890
Restructuring charges	(9)	1
Operating income	311	462
Other income (expense):		
Investment income (expense) and other	21	(5)
Interest expense	(12)	(6)
Earnings before income tax expense and equity in loss of affiliates	320	451
Income tax expense	75	110
Equity in loss of affiliates	(1)	-
Net earnings	\$ 244	\$ 341
Basic earnings per share	\$ 1.11	\$ 1.50
Diluted earnings per share	\$ 1.11	\$ 1.49
Weighted-average common shares outstanding:		
Basic	218.9	226.8
Diluted	219.9	228.4

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Net earnings	\$ 244	\$ 341
Foreign currency translation adjustments, net of tax	(5)	(1)
Comprehensive income	\$ 239	\$ 340

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Operating activities		
Net earnings	\$ 244	\$ 341
Adjustments to reconcile net earnings to total cash used in operating activities:		
Depreciation and amortization	237	224
Restructuring charges	(9)	1
Stock-based compensation	38	39
Other, net	14	12
Changes in operating assets and liabilities:		
Receivables	279	238
Merchandise inventories	(86)	(297)
Other assets	(17)	4
Accounts payable	(790)	(1,296)
Income taxes	46	63
Other liabilities	(287)	(713)
Total cash used in operating activities	(331)	(1,384)
Investing activities		
Additions to property and equipment	(204)	(215)
Other, net	-	2
Total cash used in investing activities	(204)	(213)
Financing activities		
Repurchase of common stock	(79)	(455)
Dividends paid	(202)	(199)
Other, net	-	4
Total cash used in financing activities	(281)	(650)
Effect of exchange rate changes on cash and cash equivalents	(5)	2
Decrease in cash, cash equivalents and restricted cash	(821)	(2,245)
Cash, cash equivalents and restricted cash at beginning of period	2,253	3,205
Cash, cash equivalents and restricted cash at end of period	\$ 1,432	\$ 960

See Notes to Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity

\$ and shares in millions, except per share amounts (unaudited)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 28, 2023	218.1	\$ 22	\$ 21	\$ 2,430	\$ 322	\$ 2,795
Net earnings, three months ended April 29, 2023	-	-	-	244	-	244
Other comprehensive loss:						
Foreign currency translation adjustments, net of tax	-	-	-	-	(5)	(5)
Stock-based compensation	-	-	38	-	-	38
Issuance of common stock	1.5	-	4	-	-	4
Common stock dividends, \$0.92 per share	-	-	4	(206)	-	(202)
Repurchase of common stock	(1.1)	-	(67)	(14)	-	(81)
Balances at April 29, 2023	<u>218.5</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 2,454</u>	<u>\$ 317</u>	<u>\$ 2,793</u>
Balances at January 29, 2022	227.4	\$ 23	\$ -	\$ 2,668	\$ 329	\$ 3,020
Net earnings, three months ended April 30, 2022	-	-	-	341	-	341
Other comprehensive loss:						
Foreign currency translation adjustments, net of tax	-	-	-	-	(1)	(1)
Stock-based compensation	-	-	39	-	-	39
Issuance of common stock	1.7	-	9	-	-	9
Common stock dividends, \$0.88 per share	-	-	4	(203)	-	(199)
Repurchase of common stock	(4.5)	(1)	(52)	(389)	-	(442)
Balances at April 30, 2022	<u>224.6</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 2,417</u>	<u>\$ 328</u>	<u>\$ 2,767</u>

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us” and “our” in these Notes to Condensed Consolidated Financial Statements refers to Best Buy Co., Inc. and, as applicable, its consolidated subsidiaries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the U.S. (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

A large proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. The first three months of fiscal 2024 and fiscal 2023 included 13 weeks.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from April 29, 2023, through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. No such events were identified.

Adopted Accounting Pronouncements

In the first quarter of fiscal 2024, we adopted Accounting Standards Update 2022-04 (“ASU 2022-04”), *Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*. ASU 2022-04 requires entities to disclose the key terms of supplier finance programs they use in connection with the purchase of goods and services, along with the amount of obligations outstanding at the end of each period and an annual rollforward of such obligations. Below are the interim disclosures as a result of ASU 2022-04.

Supply Chain Financing

We have a supply chain financing program with an independent financial institution, whereby some of our suppliers have the opportunity to receive accounts payable settlements early, at a discount, facilitated by the financial institution. Under this program, the financial institution agrees to terms with our suppliers, including amounts that are eligible for early payment, the timing of such payments and the discounts. The financial institution then pays the supplier based on the payment terms agreed to. Suppliers’ participation in this program is at their own option. The financial institution can vary discounts offered at their own discretion. Our rights and obligations to our suppliers – which are typically formalized in standardized agreements – are not affected by the existence of the program. Our liability associated with the funded participation in the program, which is included in Accounts payable on our Condensed Consolidated Balance Sheets, was \$490 million, \$386 million and \$584 million as of April 29, 2023, January 28, 2023, and April 30, 2022, respectively.

Total Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash reported on our Condensed Consolidated Balance Sheets are reconciled to the total shown on our Condensed Consolidated Statements of Cash Flows as follows (\$ in millions):

	April 29, 2023	January 28, 2023	April 30, 2022
Cash and cash equivalents	\$ 1,030	\$ 1,874	\$ 640
Restricted cash included in Other current assets	402	379	320
Total cash, cash equivalents and restricted cash	<u>\$ 1,432</u>	<u>\$ 2,253</u>	<u>\$ 960</u>

Amounts included in restricted cash are primarily restricted to cover product protection plans provided under our membership offerings and other self-insurance liabilities.

Reclassifications

Certain reclassifications of immaterial amounts previously reported have been made to the accompanying Condensed Consolidated Statements of Cash Flows to maintain consistency and comparability between periods presented.

2. Restructuring

Fiscal 2023 Resource Optimization Initiative

In light of ongoing changes in business trends, during the second quarter of fiscal 2023, we commenced an enterprise-wide initiative to better align our spending with critical strategies and operations, as well as to optimize our cost structure. All charges incurred related to this initiative were from continuing operations and were presented within Restructuring charges on our Condensed Consolidated Statements of Earnings.

In the first quarter of fiscal 2024, we recorded a reduction to employee termination benefits of \$9 million, primarily related to higher-than-expected employee retention. Cumulative charges incurred related to this initiative as of April 29, 2023, were \$136 million, comprised of \$132 million and \$4 million of employee termination benefits within our Domestic and International segments, respectively. We do not expect to incur material future restructuring charges related to this initiative.

Restructuring accrual activity related to the fiscal 2023 resource optimization initiative described above was as follows (\$ in millions):

	Termination Benefits		
	Domestic	International	Total
Balances at January 28, 2023	\$ 102	\$ 5	\$ 107
Cash payments	(9)	(2)	(11)
Adjustments ⁽¹⁾	(8)	(1)	(9)
Balances at April 29, 2023	\$ 85	\$ 2	\$ 87

(1) Represents adjustments primarily related to higher-than-expected employee retention from previously planned organizational changes.

3. Goodwill and Intangible Assets

Goodwill

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

	April 29, 2023		January 28, 2023		April 30, 2022	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
Domestic	\$ 1,450	\$ (67)	\$ 1,450	\$ (67)	\$ 1,452	\$ (67)
International	608	(608)	608	(608)	608	(608)
Total	\$ 2,058	\$ (675)	\$ 2,058	\$ (675)	\$ 2,060	\$ (675)

No impairment charges were recorded during the periods presented.

Definite-Lived Intangible Assets

We have definite-lived intangible assets recorded within Other assets on our Condensed Consolidated Balance Sheets as follows (\$ in millions):

	April 29, 2023		January 28, 2023		April 30, 2022		Weighted-Average Useful Life Remaining as of April 29, 2023 (in years)
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	
Customer relationships	\$ 360	\$ 249	\$ 360	\$ 236	\$ 360	\$ 194	8.9
Tradenames	108	60	108	56	108	43	5.3
Developed technology	64	54	64	51	64	42	2.8
Total	\$ 532	\$ 363	\$ 532	\$ 343	\$ 532	\$ 279	7.5

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

	Statement of Earnings Location	Three Months Ended	
		April 29, 2023	April 30, 2022
Amortization expense	SG&A	\$ 20	\$ 22

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

	Amortization Expense
Remainder of fiscal 2024	\$ 41
Fiscal 2025	21
Fiscal 2026	21
Fiscal 2027	18
Fiscal 2028	12
Fiscal 2029	11
Thereafter	45

4. Fair Value Measurements

Fair value measurements are reported in one of three levels based on the lowest level of significant input used: Level 1 (unadjusted quoted prices in active markets); Level 2 (observable market inputs, other than quoted prices included in Level 1); and Level 3 (unobservable inputs that cannot be corroborated by observable market data).

Recurring Fair Value Measurements

Financial assets accounted for at fair value were as follows (\$ in millions):

	Balance Sheet Location ⁽¹⁾	Fair Value Hierarchy	April 29, 2023	Fair Value at January 28, 2023	April 30, 2022
Assets					
Money market funds ⁽²⁾	Cash and cash equivalents	Level 1	\$ 133	\$ 280	\$ 2
Time deposits ⁽³⁾	Cash and cash equivalents	Level 2	115	203	27
Money market funds ⁽²⁾	Other current assets	Level 1	200	178	-
Marketable securities that fund deferred compensation ⁽⁴⁾	Other assets	Level 1	46	47	51

(1) Balance sheet location is determined by the length to maturity at date of purchase.

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

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

(4) Valued using the performance of mutual funds that trade with sufficient frequency and volume to obtain pricing information on an ongoing basis.

Fair Value of Financial Instruments

The fair values of cash, restricted cash, receivables, accounts payable and other payables approximated their carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. Fair values for other investments held at cost are not readily available, but we estimate that the carrying values for these investments approximate their fair values.

Long-term debt is presented at carrying value on our Condensed Consolidated Balance Sheets. If our long-term debt were recorded at fair value, it would be classified as Level 2 in the fair value hierarchy. Long-term debt balances were as follows (\$ in millions):

	April 29, 2023		January 28, 2023		April 30, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt ⁽¹⁾	\$ 1,023	\$ 1,139	\$ 1,019	\$ 1,143	\$ 1,050	\$ 1,154

(1) Excludes debt discounts, issuance costs and finance lease obligations.

5. Derivative Instruments

We manage our economic and transaction exposure to certain risks by using foreign exchange forward contracts to hedge against the effect of Canadian dollar exchange rate fluctuations on a portion of our net investment in our Canadian operations and by using interest rate swaps to mitigate the effect of interest rate fluctuations on our \$500 million of principal amount of notes due October 1, 2028. In addition, we use foreign currency forward contracts not designated as hedging instruments to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies.

Our derivative instruments designated as net investment hedges and interest rate swaps are recorded on our Condensed Consolidated Balance Sheets at fair value. When material, the gross fair values of our outstanding derivative instruments and corresponding fair value classifications are included in Note 4, *Fair Value Measurements*.

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

Contract Type	April 29, 2023	January 28, 2023	April 30, 2022
Derivatives designated as net investment hedges	\$ 102	\$ 114	\$ 107
Derivatives designated as interest rate swap contracts	500	500	500
No hedge designation (foreign exchange contracts)	57	56	61
Total	\$ 659	\$ 670	\$ 668

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

	Statement of Earnings Location	Gain (Loss) Recognized	
		Three Months Ended	
		April 29, 2023	April 30, 2022
Interest rate swap contracts	Interest expense	\$ (4)	\$ (45)
Adjustments to carrying value of long-term debt	Interest expense	4	45
Total		\$ -	\$ -

6. Debt

Short-Term Debt

U.S. Revolving Credit Facility

On April 12, 2023, we entered into a \$1.25 billion five-year senior unsecured revolving credit facility agreement (the "Five-Year Facility Agreement") with a syndicate of banks. The Five-Year Facility Agreement replaced the previous \$1.25 billion senior unsecured revolving credit facility (the "Previous Facility") with a syndicate of banks, which was entered into in May 2021 and scheduled to expire in May 2026, but was terminated on April 12, 2023. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in April 2028. There were no borrowings outstanding under the Five-Year Facility Agreement as of April 29, 2023, or the Previous Facility as of January 28, 2023, or April 30, 2022.

The interest rate under the Five-Year Facility Agreement is variable and is determined at our option as: (i) the sum of (a) the greatest of (1) JPMorgan Chase Bank, N.A.'s prime rate, (2) the greater of the federal funds rate and the overnight bank funding rate plus, in each case, 0.5%, and (3) Adjusted Term Secured Overnight Financing Rate (the "Adjusted Term SOFR") for an interest period of one month plus 1%, and (b) a variable margin rate (the "ABR Margin"); or (ii) Adjusted Term SOFR plus a variable margin rate (the "Term SOFR Margin"). In addition, a facility fee is assessed on the commitment amount. The ABR Margin, Term SOFR Margin and the facility fee are based upon our current senior unsecured debt rating. Under the Five-Year Facility Agreement, the ABR Margin ranges from 0.00% to 0.100%, the Term SOFR Margin ranges from 0.680% to 1.100%, and the facility fee ranges from 0.070% to 0.150%. The Five-Year Facility Agreement is guaranteed by certain of our subsidiaries and contains customary affirmative and negative covenants. Among other things, these covenants restrict our and certain of our subsidiaries' abilities to incur liens on certain assets; make material changes in corporate structure or the nature of our business; dispose of material assets; engage in certain mergers, consolidations and certain other fundamental changes; or engage in certain transactions with affiliates.

The Five-Year Facility Agreement also contains covenants that require us to maintain a maximum cash flow leverage ratio. The Five-Year Facility Agreement contains default provisions including, but not limited to, failure to pay interest or principal when due and failure to comply with covenants.

Long-Term Debt

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

	April 29, 2023	January 28, 2023	April 30, 2022
Notes, 4.45%, due October 1, 2028	\$ 500	\$ 500	\$ 500
Notes, 1.95%, due October 1, 2030	650	650	650
Interest rate swap valuation adjustments	(11)	(7)	4
Subtotal	1,139	1,143	1,154
Debt discounts and issuance costs	(9)	(9)	(10)
Finance lease obligations	40	42	41
Total long-term debt	1,170	1,176	1,185
Less current portion	15	16	15
Total long-term debt, less current portion	\$ 1,155	\$ 1,160	\$ 1,170

Fair Value and Future Maturities

See Note 4, *Fair Value Measurements*, for the fair value of long-term debt. Other than the \$500 million of principal amount of notes due October 1, 2028, we do not have any future maturities of long-term debt within the next five fiscal years.

7. Revenue

We generate substantially all of our revenue from contracts with customers from the sale of products and services. Contract balances primarily consist of receivables and liabilities related to unfulfilled membership benefits and services not yet completed, product merchandise not yet delivered to customers, deferred revenue from our private label and co-branded credit card arrangement and unredeemed gift cards. Contract balances were as follows (\$ in millions):

	April 29, 2023	January 28, 2023	April 30, 2022
Receivables, net ⁽¹⁾	\$ 523	\$ 581	\$ 526
Short-term contract liabilities included in:			
Unredeemed gift card liabilities	256	274	284
Deferred revenue	1,015	1,116	1,101
Accrued liabilities	68	66	82
Long-term contract liabilities included in:			
Long-term liabilities	260	265	5

(1) Receivables are recorded net of allowances for doubtful accounts of \$18 million, \$22 million and \$25 million as of April 29, 2023, January 28, 2023, and April 30, 2022, respectively.

During the first three months of fiscal 2024 and fiscal 2023, \$747 million and \$829 million of revenue was recognized, respectively, that was included in the contract liabilities at the beginning of the respective periods.

Estimated revenue from our contract liability balances expected to be recognized in future periods if the performance of the contract is expected to have a duration of more than one year is as follows (\$ in millions):

Fiscal Year	Amount
Remainder of fiscal 2024	\$ 22
Fiscal 2025	28
Fiscal 2026	24
Fiscal 2027	24
Fiscal 2028	24
Fiscal 2029	24
Thereafter	114

See Note 11, *Segments*, for information on our revenue by reportable segment and product category.

8. Earnings per Share

We compute our basic earnings per share based on the weighted-average number of common shares outstanding and our diluted earnings per share based on the weighted-average number of common shares outstanding adjusted by the number of additional shares that would have been outstanding had potentially dilutive common shares been issued.

Reconciliations of the numerators and denominators of basic and diluted earnings per share were as follows (\$ and shares in millions, except per share amounts):

	Three Months Ended	
	April 29, 2023	April 30, 2022
Numerator		
Net earnings	\$ 244	\$ 341
Denominator		
Weighted-average common shares outstanding	218.9	226.8
Dilutive effect of stock compensation plan awards	1.0	1.6
Weighted-average common shares outstanding, assuming dilution	219.9	228.4
Potential shares which were anti-dilutive and excluded from weighted-average share computations	1.0	2.2
Basic earnings per share	\$ 1.11	\$ 1.50
Diluted earnings per share	\$ 1.11	\$ 1.49

9. Repurchase of Common Stock

On February 28, 2022, our Board of Directors approved a \$5.0 billion share repurchase program, which replaced the \$5.0 billion share repurchase program authorized on February 16, 2021. There is no expiration date governing the period over which we can repurchase shares under this authorization.

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Total cost of shares repurchased	\$ 81	\$ 442
Average price per share	\$ 76.15	\$ 97.18
Total number of shares repurchased	1.1	4.5

As of April 29, 2023, \$4.0 billion of the \$5.0 billion share repurchase authorization was available. Between the end of the first quarter of fiscal 2024 on April 29, 2023, and May 31, 2023, we repurchased an incremental 0.3 million shares of our common stock at a cost of \$24 million. We currently expect additional share repurchases in fiscal 2024.

10. Contingencies

We are involved in a number of legal proceedings. Where appropriate, we have made accruals with respect to these matters, which are reflected on our Condensed Consolidated Financial Statements. However, there are cases where liability is not probable or the amount cannot be reasonably estimated and, therefore, accruals have not been made. We provide disclosure of matters where we believe it is reasonably possible the impact may be material to our Condensed Consolidated Financial Statements.

11. Segments

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Revenue by reportable segment		
Domestic	\$ 8,801	\$ 9,894
International	666	753
Total revenue	\$ 9,467	\$ 10,647
Revenue by product category		
Domestic:		
Computing and Mobile Phones	\$ 3,688	\$ 4,285
Consumer Electronics	2,592	2,896
Appliances	1,339	1,590
Entertainment	591	573
Services	537	489
Other	54	61
Total Domestic revenue	\$ 8,801	\$ 9,894
International:		
Computing and Mobile Phones	\$ 316	\$ 344
Consumer Electronics	184	213
Appliances	59	71
Entertainment	60	57
Services	36	54
Other	11	14
Total International revenue	\$ 666	\$ 753

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Domestic	\$ 290	\$ 429
International	21	33
Total operating income	311	462
Other income (expense):		
Investment income (expense) and other	21	(5)
Interest expense	(12)	(6)
Earnings before income tax expense and equity in loss of affiliates	\$ 320	\$ 451

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

	April 29, 2023	January 28, 2023	April 30, 2022
Domestic	\$ 13,561	\$ 14,549	\$ 14,132
International	1,127	1,254	1,119
Total assets	\$ 14,688	\$ 15,803	\$ 15,251

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations and liquidity are discussed in order of magnitude. Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (including the information presented therein under *Risk Factors*), as well as our other reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

We are driven by our purpose to enrich lives through technology and our vision to personalize and humanize technology solutions for every stage of life. We accomplish this by leveraging our combination of technology and a human touch to meet our customers' everyday needs, whether they come to us online, visit our stores or invite us into their homes.

We have two reportable segments: Domestic and International. The Domestic segment is comprised of our operations in all states, districts and territories of the U.S. and our Best Buy Health business. The International segment is comprised of all our operations in Canada.

Our fiscal year ends on the Saturday nearest the end of January. Our business, like that of many retailers, is seasonal. A large proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season.

Comparable Sales

Throughout this MD&A, we refer to comparable sales. Comparable sales is a metric used by management to evaluate the performance of our existing stores, websites and call centers by measuring the change in net sales for a particular period over the comparable prior-period of equivalent length. Comparable sales includes revenue from stores, websites and call centers operating for at least 14 full months. Revenue from online sales is included in comparable sales and represents sales initiated on a website or app, regardless of whether customers choose to pick up product in store, curbside, at an alternative pick-up location or take delivery direct to their homes. Revenue from acquisitions is included in comparable sales beginning with the first full quarter following the first anniversary of the date of the acquisition. Comparable sales also includes credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable. Revenue from stores closed more than 14 days, including but not limited to relocated, remodeled, expanded and downsized stores, or stores impacted by natural disasters, is excluded from comparable sales until at least 14 full months after reopening. Comparable sales excludes the impact of revenue from discontinued operations, the impact of profit-share revenue from our services plan portfolio and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). All periods presented apply this methodology consistently.

We believe comparable sales is a meaningful supplemental metric for investors to evaluate revenue performance resulting from growth in existing stores, websites and call centers versus the portion resulting from opening new stores or closing existing stores. The method of calculating comparable sales varies across the retail industry. As a result, our method of calculating comparable sales may not be the same as other retailers' methods.

Non-GAAP Financial Measures

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"), as well as certain adjusted or non-GAAP financial measures, such as constant currency, non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted earnings per share ("EPS"). We believe that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, provide additional useful information for evaluating current period performance and assessing future performance. For these reasons, internal management reporting, including budgets, forecasts and financial targets used for short-term incentives are based on non-GAAP financial measures. Generally, our non-GAAP financial measures include adjustments for items such as restructuring charges, goodwill and intangible asset impairments, price-fixing settlements, gains and losses on certain investments, intangible asset amortization, certain acquisition-related costs and the tax effect of all such items. In addition, certain other items may be excluded from non-GAAP financial measures when we believe doing so provides greater clarity to management and our investors. We provide reconciliations of the most comparable financial measures presented in accordance with GAAP to presented non-GAAP financial measures that enable investors to understand the adjustments made in arriving at the non-GAAP financial measures and to evaluate performance using the same metrics as management. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP financial measures may be calculated differently from similarly titled measures used by other companies, thereby limiting their usefulness for comparative purposes.

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

Refer to the Non-GAAP Financial Measures section below for detailed reconciliations of items impacting non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS in the presented periods.

Business Strategy Update

In the first quarter of fiscal 2024, our teams once again delivered strong execution and showcased their ability to navigate through what continues to be a challenging environment for our industry, while keeping our customers and their experiences as our top priority. We continue to appropriately balance the need to adjust in response to current industry sales trends with the need to invest so we can capitalize on opportunities as our industry moves through this downturn and returns to expected growth.

Our digital sales in the first quarter of fiscal 2024 comprised 31% of our Domestic revenue, consistent with the first quarter of fiscal 2023 and twice as high as the percentage of Domestic revenue in the pre-pandemic first quarter of fiscal 2020. During these same time periods, the percentage of online sales picked up in our stores by our customers was also consistent at just over 40%. Therefore, we are continuing to adapt our omni-channel capabilities to ensure we maintain a leading position in an increasingly digital age and evolving retail landscape.

We believe our portfolio of stores needs to provide customers with differentiated experiences and multichannel fulfillment. At the same time, we need them to become more cost and capital efficient to operate while remaining a great place to work. We are on track to deliver our fiscal 2024 store plans, which include closing 20 to 30 large format stores, implementing 8 Experience store remodels and opening approximately 10 Outlet stores. During the first quarter of fiscal 2024, we also advanced our operating model to align with the ongoing evolution of our business model and current trends. We are focused on balancing the amount of labor hours necessary to deliver the best experience possible for our customers and other stakeholders. At the same time, we have been investing in tools and employee development programs that increase their flexibility within and across stores. As not all roles, and the associated hourly pay, are the same, we are making the strategic tradeoff decisions necessary to give us the ability to flexibly adjust our labor spending appropriately, particularly customer-facing labor.

During the first quarter of fiscal 2024, we continued to build customer relationships through our membership programs. We announced changes to the programs, effective the second quarter of fiscal 2024, that we expect will give customers more freedom to choose a membership that fits their technology needs, budget and lifestyle. In addition, we expect the changes to provide more flexibility to evolve our programs in the future, while resulting in a lower cost to serve than our existing paid membership program.

For the remainder of fiscal 2024, macroeconomic headwinds will likely result in continued pressure, and we are preparing for sales in the consumer electronics industry to decline again this year. In particular, our customers are facing economic challenges from the dual pressures of high inflation and the resulting interest rate increases, and it is difficult to predict how such factors will impact us in the near term. However, we expect several factors to drive the eventual return of industry growth over time, including the natural upgrade and replacement cycles for the technology bought earlier in the pandemic and continued vendor innovation. In addition, macro technology trends like cloud, augmented reality, generative AI and expanded broadband access have the potential to drive new products and demand. While our product categories tend to experience slightly different timing nuances, in general, we believe they are poised for growth in the coming years. In addition, we are continuing our expansion into newer categories like wellness technology, personal electric transportation, outdoor living and electric car charging.

We remain excited about our industry and our future. There are more technology products than ever in people's homes, technology is increasingly a necessity in our lives, and we believe we are uniquely there for our customers as they continue to navigate this innovative space.

Results of Operations

Consolidated Results

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Revenue	\$ 9,467	\$ 10,647
Revenue % change	(11.1)%	(8.5)%
Comparable sales % change	(10.1)%	(8.0)%
Gross profit	\$ 2,150	\$ 2,353
Gross profit as a % of revenue ⁽¹⁾	22.7 %	22.1 %
SG&A	\$ 1,848	\$ 1,890
SG&A as a % of revenue ⁽¹⁾	19.5 %	17.8 %
Restructuring charges	\$ (9)	\$ 1
Operating income	\$ 311	\$ 462
Operating income as a % of revenue	3.3 %	4.3 %
Net earnings	\$ 244	\$ 341
Diluted earnings per share	\$ 1.11	\$ 1.49

(1) Because retailers vary in how they record costs of operating their supply chain between cost of sales and SG&A, our gross profit rate and SG&A rate may not be comparable to other retailers' corresponding rates. For additional information regarding costs classified in cost of sales and SG&A, refer to Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

In the first quarter of fiscal 2024, we generated \$9.5 billion in revenue and our comparable sales declined 10.1% as we continued to face macroeconomic pressures, including high inflation and rising interest rates, that have resulted in more cautious customer behavior and softer demand within the consumer electronics industry.

Revenue, gross profit rate, SG&A and operating income rate changes in the first quarter of fiscal 2024 were primarily driven by our Domestic segment. For further discussion of our Domestic and International segments, see *Segment Performance Summary*, below.

Income Tax Expense

Income tax expense decreased in the first quarter of fiscal 2024, primarily due to a decrease in pre-tax earnings. Our effective tax rate ("ETR") decreased to 23.3% in the first quarter of fiscal 2024 compared to 24.4% in the first quarter of fiscal 2023, primarily due to increased tax benefits from certain discrete tax matters, as well as the impact of lower pre-tax earnings, partially offset by decreased tax benefits from stock-based compensation.

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

Segment Performance Summary

Domestic Segment

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Revenue	\$ 8,801	\$ 9,894
Revenue % change	(11.0)%	(8.7)%
Comparable sales % change ⁽¹⁾	(10.4)%	(8.5)%
Gross profit	\$ 1,992	\$ 2,170
Gross profit as a % of revenue	22.6 %	21.9 %
SG&A	\$ 1,710	\$ 1,741
SG&A as a % of revenue	19.4 %	17.6 %
Restructuring charges	\$ (8)	\$ -
Operating income	\$ 290	\$ 429
Operating income as a % of revenue	3.3 %	4.3 %
Selected Online Revenue Data		
Total online revenue	\$ 2,688	\$ 3,059
Online revenue as a % of total segment revenue	30.5 %	30.9 %
Comparable online sales % change ⁽¹⁾	(12.1)%	(14.9)%

(1) Comparable online sales are included in the comparable sales calculation.

The decrease in revenue in the first quarter of fiscal 2024 was primarily driven by comparable sales declines across most of our product categories, particularly computing, appliances, home theater and mobile phones. Online revenue of \$2.7 billion in the first quarter fiscal 2024 decreased 12.1% on a comparable basis. These decreases in revenue were primarily due to the reasons described within the *Consolidated Results* section, above.

Domestic segment stores open at the beginning and end of the first quarters of fiscal 2024 and fiscal 2023 were as follows:

	Fiscal 2024				Fiscal 2023			
	Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter	Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter
Best Buy	925	-	(17)	908	938	-	(7)	931
Outlet Centers	19	1	-	20	16	-	-	16
Pacific Sales	20	-	-	20	21	-	-	21
Yardbird	14	4	-	18	9	-	-	9
Total	978	5	(17)	966	984	-	(7)	977

We continuously monitor store performance as part of a market-driven, omnichannel strategy. As we approach the expiration of leases, we evaluate various options for each location, including whether a store should remain open. We currently expect to close a total of 20 to 30 Best Buy stores and open approximately 10 Outlet Centers in fiscal 2024.

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

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Computing and Mobile Phones	42 %	43 %	(13.3)%	(10.5)%
Consumer Electronics	29 %	29 %	(9.8)%	(9.7)%
Appliances	15 %	16 %	(15.5)%	2.9 %
Entertainment	7 %	6 %	3.8 %	(13.6)%
Services	6 %	5 %	12.0 %	(12.4)%
Other	1 %	1 %	(12.1)%	26.0 %
Total	100 %	100 %	(10.4)%	(8.5)%

Notable comparable sales changes by revenue category were as follows:

- **Computing and Mobile Phones:** The 13.3% comparable sales decline was driven primarily by computing, mobile phones and tablets.
- **Consumer Electronics:** The 9.8% comparable sales decline was driven primarily by home theater.
- **Appliances:** The 15.5% comparable sales decline was driven primarily by large appliances.
- **Entertainment:** The 3.8% comparable sales growth was driven primarily by gaming, partially offset by a comparable sales decline in virtual reality.
- **Services:** The 12.0% comparable sales growth was driven primarily by the cumulative growth in our paid membership base.

Our gross profit rate increased in the first quarter of fiscal 2024, primarily due to improved financial performance from our membership offerings, which included higher services margin rates and reduced costs associated with program changes made to our free membership offering, favorable product margin rates and the profit-sharing revenue from our private label and co-branded credit card arrangement.

Our profit-sharing revenue from our credit card arrangement has been a consistent benefit to our gross profit and operating income rates for the past eight quarters and approximated 1.4% of Domestic revenue in fiscal 2023, an increase of approximately 50 basis points compared to fiscal 2020. This growth has been driven by the increased usage of our credit card, both at and outside of Best Buy, and the favorable credit environment. For the remainder of fiscal 2024, we believe this profit-sharing revenue will have a slightly negative year-over-year impact on revenue and our gross profit and operating income rates.

Our SG&A decreased in the first quarter of fiscal 2024, primarily due to lower store payroll and advertising expense, partially offset by higher incentive compensation and depreciation expense.

The reduction in restructuring charges in the first quarter of fiscal 2024 was primarily related to higher-than-expected employee retention from our fiscal 2023 resource optimization initiative. Refer to Note 2, *Restructuring*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for additional information.

Our operating income rate decreased in the first quarter of fiscal 2024, primarily due to decreased leverage from lower sales volume on our fixed expenses and higher incentive compensation expense, which resulted in an unfavorable SG&A rate, partially offset by an increase in gross profit rate.

International Segment

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

	Three Months Ended			
	April 29, 2023		April 30, 2022	
Revenue	\$	666	\$	753
Revenue % change		(11.6)%		(5.3)%
Comparable sales % change		(5.5)%		(1.4)%
Gross profit	\$	158	\$	183
Gross profit as a % of revenue		23.7 %		24.3 %
SG&A	\$	138	\$	149
SG&A as a % of revenue		20.7 %		19.8 %
Operating income	\$	21	\$	33
Operating income as a % of revenue		3.2 %		4.4 %

The decrease in revenue in the first quarter of fiscal 2024 was primarily driven by the negative impact of approximately 610 basis points from unfavorable foreign currency exchange rates and a comparable sales decline of 5.5%.

International segment stores open at the beginning and end of the first quarters of fiscal 2024 and fiscal 2023 were as follows:

	Fiscal 2024				Fiscal 2023			
	Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter	Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter
Canada								
Best Buy	127	-	-	127	127	-	-	127
Best Buy Mobile	33	-	(1)	32	33	-	-	33
Total	160	-	(1)	159	160	-	-	160

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

	Revenue Mix		Comparable Sales	
	Three Months Ended		Three Months Ended	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Computing and Mobile Phones	47 %	46 %	(3.6)%	(7.9)%
Consumer Electronics	28 %	28 %	(9.1)%	3.8 %
Appliances	9 %	9 %	(11.7)%	9.4 %
Entertainment	9 %	8 %	12.0 %	(7.5)%
Services	5 %	7 %	(11.2)%	31.4 %
Other	2 %	2 %	(19.0)%	(3.9)%
Total	100 %	100 %	(5.5)%	(1.4)%

Notable comparable sales changes by revenue category were as follows:

- **Computing and Mobile Phones:** The 3.6% comparable sales decline was driven primarily by computing, partially offset by comparable sales growth in mobile phones.
- **Consumer Electronics:** The 9.1% comparable sales decline was driven primarily by home theater.
- **Appliances:** The 11.7% comparable sales decline was driven by large and small appliances.
- **Entertainment:** The 12.0% comparable sales growth was driven primarily by gaming, partially offset by a comparable sales decline in virtual reality.
- **Services:** The 11.2% comparable sales decline was driven primarily by warranty services.

The decrease in our gross profit rate in the first quarter of fiscal 2024 was primarily driven by a lower mix of revenue from the higher margin rate services category.

Our SG&A decreased in the first quarter of fiscal 2024, primarily due to the favorable impact of foreign currency exchange rates and lower store payroll expense, partially offset by higher incentive compensation expense.

Our operating income rate decreased in the first quarter of fiscal 2024, primarily due to decreased leverage from lower sales volume on our fixed expenses, which resulted in an unfavorable SG&A rate, and an unfavorable gross profit rate.

Consolidated Non-GAAP Financial Measures

Reconciliations of operating income, effective tax rate and diluted EPS (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate and non-GAAP diluted EPS (non-GAAP financial measures) were as follows (\$ in millions, except per share amounts):

	Three Months Ended	
	April 29, 2023	April 30, 2022
Operating income	\$ 311	\$ 462
% of revenue	3.3 %	4.3 %
Intangible asset amortization ⁽¹⁾	20	22
Restructuring charges ⁽²⁾	(9)	1
Non-GAAP operating income	\$ 322	\$ 485
% of revenue	3.4 %	4.6 %
Effective tax rate	23.3 %	24.4 %
Intangible asset amortization ⁽¹⁾	0.1 %	-%
Non-GAAP effective tax rate	23.4 %	24.4 %
Diluted EPS	\$ 1.11	\$ 1.49
Intangible asset amortization ⁽¹⁾	0.09	0.10
Restructuring charges ⁽²⁾	(0.04)	-
Income tax impact of non-GAAP adjustments ⁽³⁾	(0.01)	(0.02)
Non-GAAP diluted EPS	\$ 1.15	\$ 1.57

For additional information regarding the nature of charges discussed below, refer to Note 2, *Restructuring*, and Note 3, *Goodwill and Intangible Assets*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

- (1) Represents the non-cash amortization of definite-lived intangible assets associated with acquisitions, including customer relationships, tradenames and developed technology assets.
- (2) Primarily represents adjustments related to employee termination benefits from higher-than-expected employee retention related to previously planned organizational changes.
- (3) The non-GAAP adjustments primarily relate to the U.S. As such, the income tax charge is calculated using the statutory tax rate of 24.5% applied to the non-GAAP adjustments.

Our non-GAAP operating income rate decreased in the first quarter of fiscal 2024, primarily due to our Domestic segment's unfavorable SG&A rate, partially offset by a higher gross profit rate.

Our non-GAAP effective tax rate decreased in the first quarter of fiscal 2024, primarily due to increased tax benefits from certain discrete tax matters, as well as the impact of lower pre-tax earnings, partially offset by decreased tax benefits from stock-based compensation.

Our non-GAAP diluted EPS decreased in the first quarter of fiscal 2024, primarily due to the decrease in non-GAAP operating income.

Liquidity and Capital Resources

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment required to support our business strategies, the performance of our business, capital expenditures, dividends, credit facilities, short-term borrowing arrangements and working capital management. We modify our approach to managing these variables as changes in our operating environment arise. For example, capital expenditures and share repurchases are a component of our cash flow and capital management strategy, which, to a large extent, we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation, which focuses on investing in key priorities that support our strategy.

Cash and cash equivalents were as follows (\$ in millions):

	April 29, 2023	January 28, 2023	April 30, 2022
Cash and cash equivalents	\$ 1,030	\$ 1,874	\$ 640

The decrease in cash and cash equivalents from January 28, 2023, was primarily due to the timing and volume of inventory purchases and payments, capital expenditures and dividend payments, partially offset by earnings.

The increase in cash and cash equivalents from April 30, 2022, was primarily due to positive cash flows from operations, primarily driven by earnings, partially offset by capital expenditures, dividend payments and share repurchases.

Cash Flows

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

	Three Months Ended	
	April 29, 2023	April 30, 2022
Total cash used in:		
Operating activities	\$ (331)	\$ (1,384)
Investing activities	(204)	(213)
Financing activities	(281)	(650)
Effect of exchange rate changes on cash	(5)	2
Decrease in cash, cash equivalents and restricted cash	\$ (821)	\$ (2,245)

Operating Activities

The decrease in cash used in operating activities in the first quarter of fiscal 2024 was primarily driven by the timing and volume of inventory purchases and payments, and lower incentive compensation payments in the current year as a result of less favorable fiscal 2023 results. These impacts were partially offset by lower earnings in the current-year period.

Investing Activities

Cash used in investing activities in the first quarter of fiscal 2024 remained relatively consistent with the prior year, primarily driven by consistent capital spending for initiatives to support our business. We currently expect capital expenditures to approximate \$850 million in fiscal 2024.

Financing Activities

The decrease in cash used in financing activities in the first quarter of fiscal 2024 was primarily driven by lower share repurchases.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, our credit facilities and other debt arrangements are our most significant sources of liquidity. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures, share repurchases, dividends and strategic initiatives, including business combinations. However, in the event our liquidity is insufficient, we may be required to limit our spending. There can be no assurance that we will continue to generate cash flows at or above current levels or that we will be able to maintain our ability to borrow under our existing credit facilities or obtain additional financing, if necessary, on favorable terms.

On April 12, 2023, we entered into a \$1.25 billion five-year senior unsecured revolving credit facility agreement (the “Five-Year Facility Agreement”) with a syndicate of banks. The Five-Year Facility Agreement replaced the previous \$1.25 billion senior unsecured revolving credit facility (the “Previous Facility”) with a syndicate of banks, which was entered into in May 2021 and scheduled to expire in May 2026, but was terminated on April 12, 2023. The Five-Year Facility Agreement permits borrowings of up to \$1.25 billion and expires in April 2028. Refer to Note 6, *Debt*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q for additional information. There were no borrowings outstanding under the Five-Year Facility Agreement as of April 29, 2023, or the Previous Facility as of January 28, 2023, or April 30, 2022.

Our credit ratings and outlook as of May 31, 2023, remained unchanged from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, and are summarized below.

Rating Agency	Rating	Outlook
Standard & Poor's	BBB+	Stable
Moody's	A3	Stable

Credit rating agencies review their ratings periodically, and, therefore, the credit rating assigned to us by each agency may be subject to revision at any time. Factors that can affect our credit ratings include changes in our operating performance, the economic environment, conditions in the retail and consumer electronics industries, our financial position and changes in our business strategy. If changes in our credit ratings were to occur, they could impact, among other things, interest costs for certain of our credit facilities, our future borrowing costs, access to capital markets, vendor financing terms and future new-store leasing costs.

Restricted Cash

Our liquidity is also affected by restricted cash balances that are primarily restricted to cover product protection plans provided under our membership offerings and other self-insurance liabilities. Restricted cash, which is included in Other current assets on our Condensed Consolidated Balance Sheets, was \$402 million, \$379 million and \$320 million at April 29, 2023, January 28, 2023, and April 30, 2022, respectively. The increases in restricted cash from January 28, 2023, and April 30, 2022, were primarily due to growth in our paid membership base, partially offset by a decrease in restricted cash for other self-insurance liabilities.

Debt and Capital

As of April 29, 2023, we had \$500 million of principal amount of notes due October 1, 2028, and \$650 million of principal amount of notes due October 1, 2030. Refer to Note 6, *Debt*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q, and Note 8, *Debt*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, for additional information about our outstanding debt.

Share Repurchases and Dividends

We repurchase our common stock and pay dividends pursuant to programs approved by our Board of Directors (“Board”). The payment of cash dividends is also subject to customary legal and contractual restrictions. Our long-term capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through dividends and share repurchases while maintaining investment-grade credit metrics. Our share repurchase plans are evaluated on an ongoing basis, considering factors such as our financial condition and cash flows, our economic outlook, the impact of tax laws, our liquidity needs, and the health and stability of global credit markets. The timing and amount of future repurchases may vary depending on such factors.

On February 28, 2022, our Board approved a \$5.0 billion share repurchase program, which replaced the \$5.0 billion share repurchase program authorized on February 16, 2021. There is no expiration date governing the period over which we can repurchase shares under this authorization.

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

	Three Months Ended			
	April 29, 2023		April 30, 2022	
Total cost of shares repurchased	\$	81	\$	442
Average price per share	\$	76.15	\$	97.18
Total number of shares repurchased		1.1		4.5
Regular quarterly cash dividend per share	\$	0.92	\$	0.88
Cash dividends declared and paid	\$	202	\$	199

The total cost of shares repurchased decreased in the first quarter of fiscal 2024, primarily due to a decrease in the volume of repurchases. Cash dividends declared and paid increased slightly in the first quarter of fiscal 2024, primarily due to an increase in the regular quarterly cash dividend per share, partially offset by fewer shares outstanding.

Between the end of the first quarter of fiscal 2024 on April 29, 2023, and May 31, 2023, we repurchased an incremental 0.3 million shares of our common stock at a cost of \$24 million. We currently expect additional share repurchases in fiscal 2024.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, remained unchanged at 1.0 as of April 29, 2023, January 28, 2023, and April 30, 2022.

Our debt to earnings ratio, calculated as total debt (including current portion) divided by net earnings over the trailing twelve months increased to 0.9 as of April 29, 2023, compared to 0.8 as of January 28, 2023, and 0.5 as of April 30, 2022, primarily due to lower net earnings.

Off-Balance-Sheet Arrangements and Contractual Obligations

Our liquidity is not dependent on the use of off-balance-sheet financing arrangements other than in connection with our \$1.25 billion in undrawn capacity on our Five-Year Facility Agreement as of April 29, 2023, which, if drawn upon, would be included in either short-term or long-term debt on our Condensed Consolidated Balance Sheets.

There has been no material change in our contractual obligations other than in the ordinary course of business since the end of fiscal 2023. See our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, for additional information regarding our off-balance-sheet arrangements and contractual obligations.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, and our critical accounting estimates in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of fiscal 2023.

New Accounting Pronouncements

For a description of applicable new accounting pronouncements, see Note 1, *Basis of Presentation*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q. We do not expect any recently issued accounting pronouncements to have a material effect on our financial statements.

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as "anticipate," "appear," "approximate," "assume," "believe," "continue," "could," "estimate," "expect," "foresee," "guidance," "intend," "may," "might," "outlook," "plan," "possible," "project," "seek," "should," "would," and other words and terms of similar meaning or the negatives thereof. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, our operating model, new strategies and growth initiatives, the competitive environment, consumer behavior and other events. These statements involve a number of judgments and are subject to certain risks and uncertainties, many of which are outside the control of the Company, that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, *Risk Factors*, of our most recent Annual Report on Form 10-K, and any updated information in subsequent Quarterly Reports on Form 10-Q, for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following:

macroeconomic pressures in the markets in which we operate (including but not limited to the effects of COVID-19, recession, inflation rates, fluctuations in foreign currency exchange rates, limitations on a government's ability to borrow and/or spend capital, fluctuations in housing prices, energy markets, and jobless rates and effects related to the conflict in Ukraine or other geopolitical events); catastrophic events, health crises and pandemics (including the COVID-19 pandemic); susceptibility of the products we sell to technological advancements, product life cycle fluctuations and; changes in consumer preferences; competition (including from multi-channel retailers, e-commerce business, technology service providers, traditional store-based retailers, vendors and mobile network carriers and in the provision of delivery speed and options); our ability to attract and retain qualified employees; changes in market compensation rates; our expansion into health and new products, services and technologies; our focus on services as a strategic priority; our reliance on key vendors and mobile network carriers (including product availability); our ability to maintain positive brand perception and recognition; our ability to effectively manage strategic ventures, alliances or acquisitions; our ability to effectively manage our real estate portfolio; inability of vendors or service providers to perform components of our supply chain (impacting our stores or other aspects of our operations) and other various functions of our business; risks arising from and potentially unique to our exclusive brands products; our reliance on our information technology systems, internet and telecommunications access and capabilities; our ability to prevent or effectively respond to a cyber-attack, privacy or security breach; product safety and quality concerns; changes to labor or employment laws or regulations; risks arising from statutory, regulatory and legal developments (including statutes and/or regulations related to tax or privacy); evolving corporate governance and public disclosure regulations and expectations (including, but not limited to, cybersecurity and environmental, social and governance matters) risks arising from our international activities (including those related to the conflict in Ukraine or fluctuations in foreign currency exchange rates) and those of our vendors; failure to effectively manage our costs; our dependence on cash flows and net earnings generated during the fourth fiscal quarter; pricing investments and promotional activity; economic or regulatory developments that might affect our ability to provide attractive promotional financing; constraints in the capital markets; changes to our vendor credit terms; changes in our credit ratings; failure to meet financial-performance guidance or other forward-looking statements; and general economic uncertainty in key global markets and worsening of global economic conditions or low levels of economic growth. We caution that the foregoing list of important factors is not complete. Any forward-looking statements speak only as of the date they are made and we assume no obligation to update any forward-looking statement that we may make.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, in addition to the risks inherent in our operations, we are exposed to certain market risks.

Interest Rate Risk

We are exposed to changes in short-term market interest rates and these changes in rates will impact our net interest expense. Our cash, cash equivalents and restricted cash generate interest income that will vary based on changes in short-term interest rates. In addition, we have swapped a portion of our fixed-rate debt to floating rate such that the interest expense on this debt will vary with short-term interest rates. Refer to Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, for further information regarding our interest rate swaps.

As of April 29, 2023, we had \$1.4 billion of cash, cash equivalents and restricted cash and \$0.5 billion of debt that has been swapped to floating rate, and therefore the net asset balance exposed to interest rate changes was \$0.9 billion. As of April 29, 2023, a 50-basis point increase in short-term interest rates would have led to an estimated \$5 million increase in interest income, and conversely a 50-basis point decrease in short-term interest rates would have led to an estimated \$5 million decrease in interest income.

Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to operations in our International segment. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecasted inventory purchases, recognized receivable and payable balances and our investment in our Canadian operations. Refer to Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, for additional information regarding these instruments.

In the first quarter of fiscal 2024, foreign currency exchange rate fluctuations were primarily driven by the strength of the U.S. dollar compared to the Canadian dollar compared to the prior-year period, which had a negative overall impact on our revenue as this foreign currency revenue translated into less U.S. dollars. We estimate that foreign currency exchange rate fluctuations had an unfavorable impact on our revenue of approximately \$46 million in the first quarter of fiscal 2024. The impact of foreign exchange rate fluctuations on our net earnings in the first quarter of fiscal 2024 was not significant.

Item 4. Controls and Procedures

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

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), at April 29, 2023. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at April 29, 2023, our disclosure controls and procedures were effective.

There were no changes in internal control over financial reporting during the fiscal quarter ended April 29, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For information about our legal proceedings, see Note 10, *Contingencies*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

c) Stock Repurchases

On February 28, 2022, our Board approved a \$5.0 billion share repurchase program. There is no expiration date governing the period over which we can repurchase shares under this authorization. For additional information, see Note 9, *Repurchase of Common Stock*, of the Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
January 29, 2023 through February 25, 2023	-	\$ -	-	\$ 4,125,000,000
February 26, 2023 through April 1, 2023	713,693	\$ 77.01	713,693	\$ 4,070,000,000
April 2, 2023 through April 29, 2023	349,805	\$ 74.40	349,805	\$ 4,044,000,000
Total fiscal 2024 first quarter	<u>1,063,498</u>	\$ 76.15	<u>1,063,498</u>	\$ 4,044,000,000

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on June 12, 2020).
3.2	Amended and Restated By-Laws (incorporated herein by reference to Exhibit 3.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on June 14, 2018).
10.1	Five-Year Credit Agreement dated as of April 12, 2023, among Best Buy Co., Inc., the Subsidiary Guarantors, the Lenders and JPMorgan Chase Bank, N.A. as administrative agent (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by Best Buy Co., Inc. on April 13, 2023).
*10.2	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement (2023) – Restricted Shares.
*10.3	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement (2023) – Restricted Stock Units.
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽¹⁾.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽¹⁾.
101	The following financial information from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2024, filed with the SEC on June 2, 2023, formatted in Inline Extensible Business Reporting Language (“iXBRL”): (i) the Condensed Consolidated Balance Sheets as of April 29, 2023, January 28, 2023, and April 30, 2022, (ii) the Condensed Consolidated Statements of Earnings for the three months ended April 29, 2023, and April 30, 2022, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended April 29, 2023, and April 30, 2022, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended April 29, 2023, and April 30, 2022, (v) the Condensed Consolidated Statements of Changes in Shareholders’ Equity for the three months ended April 29, 2023, and April 30, 2022, and (vi) the Notes to Condensed Consolidated Financial Statements.
104	The cover page from our Quarterly Report on Form 10-Q for the first quarter of fiscal 2024, filed with the SEC on June 2, 2023, formatted in iXBRL (included as Exhibit 101).

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

* Management contracts or compensatory plans or arrangements

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

SIGNATURES

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

BEST BUY CO., INC.
(Registrant)

Date: June 2, 2023

By: /s/ CORIE BARRY

Corie Barry
Chief Executive Officer

Date: June 2, 2023

By: /s/ MATTHEW BILUNAS

Matthew Bilunas
Chief Financial Officer

Date: June 2, 2023

By: /s/ MATHEW R. WATSON

Mathew R. Watson
Senior Vice President, Finance – Controller and Chief Accounting Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Corie Barry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 2, 2023

/s/ CORIE BARRY

Corie Barry

Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Bilunas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Best Buy Co., Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 2, 2023

/s/ MATTHEW BILUNAS

Matthew Bilunas

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Executive Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 29, 2023 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: June 2, 2023

/s/ CORIE BARRY

Corie Barry

Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. §1350 (adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Financial Officer of Best Buy Co., Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 29, 2023 (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: June 2, 2023

/s/ MATTHEW BILUNAS

Matthew Bilunas

Chief Financial Officer



BEST BUY CO., INC.
LONG-TERM INCENTIVE PROGRAM AWARD AGREEMENT
Award Date: #GrantDate#

This Long-Term Incentive Program Agreement (the “**Agreement**”), dated the date set forth above (the “**Award Date**”), is between Best Buy Co., Inc., a Minnesota corporation, (“**Best Buy**” or the “**Company**”), and the employee (“**you**” or the “**Participant**”) of the Company (or one of its Affiliates) whose name is set forth in the Award Notification you received from the Company (the “**Award Notification**”). The Award Notification is included in and made a part of this Agreement.

- 1. Grant of Award.** In consideration of your employment with or service to a member of the Company Group, the Company hereby grants to you the award set forth in the Award Notification (the “**Award**”) subject to the terms and conditions of this Agreement and the Best Buy Co., Inc. 2020 Omnibus Incentive Plan (the “**Plan**”). In the event of any conflict between this Agreement and the Plan, the Plan will govern. By your acceptance of this Award, you acknowledge receipt of a copy of the Prospectus for the Plan and your agreement to the terms and conditions of the Plan and this Agreement.
- 2. Options.** This section applies to you if your Award includes an Option. An “**Option**” is a right to purchase a number of shares of common stock of the Company (“**Shares**”) at the price per share of Common Stock stated in the Award Notification.
 - (a) Term and Vesting.** The Option shall expire and no longer be exercisable on the tenth anniversary the Award Date or such earlier date as provided herein (such date, the “**Expiration Date**”). Except as otherwise set forth herein, the Option may be exercised, in whole or in part, at any time prior to the Expiration Date, in accordance with the schedule stated in the Award Notification. In no case may the Option be exercised after the Expiration Date.
 - (b) Method of Exercise.** The Option may be exercised by written notice to the Company (through the Plan administrator or other means specified by the Company) stating the number of Shares to be purchased. Such notice must be accompanied by payment in full of the exercise price for all Shares to be purchased, at the election of the Participant, by (i) cash or check, (ii) delivery of unencumbered Shares previously acquired by you having a Fair Market Value on the date of exercise that is equal to the exercise price, (iii) withholding of Shares that would otherwise be issued upon such exercise having a Fair Market Value on the date of exercise equal to the aggregate exercise price for the Shares for which the Option is being exercised or (iv) a cashless (broker-assisted) exercise that complies with all applicable laws.
- 3. Restricted Shares.** This section applies to you if your Award includes Restricted Shares. A “**Restricted Share**” is a Share issued to you on the Award Date that is subject to the restrictions set forth in this Agreement.

- (a) **Restrictions.** Until the Restricted Shares vest, they may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition contrary to the provisions this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Restricted Shares, shall be void and unenforceable against the Company.
- (b) **Vesting.** Except as otherwise set forth herein, so long as you remained employed by a member of the Company Group, the Restricted Shares shall vest in accordance with the schedule stated in the Award Notification.
- (c) **Issuance of Restricted Shares.** Unless otherwise determined by the Committee, the Company shall issue the Restricted Shares in the Participant's name in book-entry form with legends or notations indicating the restrictions in this Agreement

4. Performance Share Award. This section applies to you if your Award includes a Performance Share Award. A "**Performance Share Award**" is a commitment by the Company to issue a certain number of Shares to you provided you meet certain employment criteria and that the Company achieves certain financial performance levels. A Performance Share Award does not represent immediate ownership of Shares.

- (a) **Determination of Number of Shares under Performance Share Award.** The number of Shares issuable under your Performance Share Award (the "**Performance Share Number**") will be equal to a percentage of the target number of Shares stated in your Award Notification (the "**TSR Target**"), as determined below.

(b) TSR Performance Share Number.

- (i) Within 120 days after the end of the Performance Period, the Committee will (A) calculate the TSR for Best Buy and for each company included in the S&P 500 Index as of the first day of the Performance Period, (B) rank each such company by TSR (lowest to highest), and (C) determine the percentile rank of Best Buy's TSR in such ranking by dividing Best Buy's numerical position in such TSR ranking by the total number of companies included in the list, rounding to the nearest hundredth ("**Relative TSR**"). For example, if Best Buy were ranked 300 out of 500, its Relative TSR would be 60%.
- (ii) Your Performance Share Number will be equal to the percentage of the TSR Target that is listed in the column below with the heading "Number of Shares Earned" opposite the band in the column with the heading "Performance" in which Relative TSR falls. If Relative TSR is between Threshold TSR and Target TSR or between Target TSR and Maximum TSR, your Performance Share Number will be equal to a percentage interpolated on a linear basis for performance between such amounts. For example, if Best Buy's Relative TSR is 60%, then your Performance Share Number would be 125% of your TSR Target. Your Performance Share Number will be rounded to the nearest whole number.

Performance	Number of Shares Earned
Relative TSR less than 30% (“ Threshold TSR ”)	0
Relative TSR 30% or greater but less than 50%	50%-99% of TSR Target
Relative TSR 50% (“ Target TSR ”) or greater but less than 70%	100%-149% of TSR Target
Relative TSR Greater than 70% (“ Maximum TSR ”)	150% of TSR Target
The number of performance shares earned will be interpolated on a linear basis for performance between Threshold and Target and between Target and Maximum.	

(c) Certain Definitions.

- (i) “**Beginning Price**” means, with respect to any one company, the average closing price of one share of common stock during the first fiscal quarter of the Performance Period.
- (ii) “**Ending Price**” means, with respect to any one company, the average closing price of one share of common stock during the first fiscal quarter following completion of the Performance Period.
- (iii) “**Performance Period**” means the performance period stated in the Award Notification.
- (iv) “**TSR**” means, with respect to any one company, the price appreciation of one share of common stock as measured from the Beginning Price to the Ending Price, assuming all dividends and other distributions made on such share are reinvested, expressed as a percentage.

(d) Change of Control. Notwithstanding anything in this Agreement to the contrary, in the event of a Change of Control prior to the end of the Performance Period, the Committee will determine Relative TSR using the average closing price of one share of common stock during the last completed fiscal quarter in order to determine the Ending Price, and the Performance Share Number will be equal to the greater of (i) the number determined pursuant to Section 4(b)(ii) above and (ii) the TSR Target.

(e) Performance Share Number Not Guaranteed. If Relative TSR is less than Threshold TSR, your Performance Share Number will be 0 and there will be no Shares issued under your Performance Share Award. The Committee shall have sole discretion to determine Relative TSR.

(f) Issuance of Shares. Any Shares issuable to you under your Performance Share Award will be issued within 60 days after the Committee’s determination of Relative TSR; provided however, that the Company’s obligation to issue such shares is subject to Section 5 of this Agreement.

5. Effect of Termination of Employment. Your employment with the Company Group may be terminated by your employer at any time for any reason (with or without advance notice). This section provides the effect on your Award of different types of termination of employment.

(a) Qualified Retirement. In the event of your Qualified Retirement:

- (i) Options.** If your Award includes an Option, the Option will continue to vest in accordance with the vesting schedule set forth above. You will have until the later of (A) three years from the date of your Qualified Retirement and (B) the last scheduled vesting date to exercise the entire Option; provided, however, that in no event shall the Option be exercisable after the Expiration Date. Any portion of the Option unexercised at the end of this period will be forfeited.
- (ii) Restricted Shares.** If your Award includes Restricted Shares, such Restricted Shares will continue to vest in accordance with the vesting schedule set forth above.
- (iii) Performance Shares.** If your Award includes Performance Shares and in the event of your Qualified Retirement prior to the end of the Performance Period, you may be entitled to a prorated Performance Share Award. If Relative TSR is greater than Threshold TSR (as determined after the end of the Performance Period), you will be entitled to a prorated Performance Share Number. Your Performance Share Award will be determined by multiplying the Performance Share Number calculated as if you were employed by a member of the Company Group on the last day of the Performance Period by a fraction, the numerator of which is the number of days during the Performance Period you were so employed, and the denominator of which is the number of days in the Performance Period.

(b) Death or Disability. In the event of your death or employment termination due to Disability:

- (i) Options.** If your Award includes an Option, any then unvested portion of the Option will vest and become exercisable as of the date of death or, in the case of Disability, as of the date of employment termination. In the event of your death, the representative of your estate or your heirs will have until the earlier of (A) one year from the date of your death and (B) the Expiration Date of the Option, to exercise the Option. In the event you become Disabled while employed with the Company Group and must therefore terminate your employment, you will have until the earlier of (X) one year from the date of your employment termination and (Y) the Expiration Date of the Option, to exercise the Option.
- (ii) Restricted Shares.** If your Award includes Restricted Shares, any then unvested Restricted Shares will vest as of the date of death or, in the case of Disability, employment termination.
- (iii) Performance Share Award.** If your Award includes a Performance Share Award and in the event of your death or employment termination due to Disability prior to the end of the Performance Period, you or the representative of your estate or your heirs, as applicable, may be entitled to a prorated Performance Share Award. If Relative TSR is greater than

Threshold TSR (as determined as of the last completed fiscal quarter prior to the date of termination of employment to determine the Ending Price), you or the representative of your estate or your heirs, as applicable, will be entitled to a prorated Performance Share Number. Your Performance Share Award will be determined by multiplying the Performance Share Number calculated as of the date of termination of employment multiplied by a fraction, the numerator of which is the number of days during the Performance Period you were employed, and the denominator of which is the number of days in the Performance Period.

(c) Involuntary Termination Without Cause. If your employment is Involuntarily Terminated Without Cause:

- (i) Options.** If your Award includes an Option, you will have 60 days from the date of termination of your employment to exercise the portion of the Option vested as of your termination date, and any portion of the Option then unvested will be forfeited; provided, however, that if your employment is Involuntarily Terminated Without Cause within 12 months following a Change of Control, any then unvested portion of the Option will vest and become exercisable during the period ending 60 days from the date of termination of your employment. In no event, however, may the Option be exercised after its Expiration Date.
- (ii) Restricted Shares.** If your Award includes Restricted Shares, you will forfeit any then unvested Restricted Shares.
- (iii) Performance Share Award.** If your Award includes a Performance Share Award and your employment is Involuntarily Terminated Without Cause prior to the end of the Performance Period, you may be entitled to a prorated Performance Share Award. If Relative TSR is greater than Threshold TSR (as determined after the end of the Performance Period), you will be entitled to a prorated Performance Share Number. Your Performance Share Award is determined by multiplying the Performance Share Number calculated as if you were employed by a member of the Company Group on the last day of the Performance Period multiplied by a fraction, the numerator of which is the number of days during the Performance Period you were employed, and the denominator of which is the number of days in the Performance Period.

(d) Voluntary Termination. If you voluntarily terminate your employment with the Company Group for any reason:

- (i) Options.** If your Award includes an Option, you will have 60 days from the date of termination of your employment to exercise the Option, to the extent the Option had become vested as of your termination date. Any then unvested portion of the Option will be forfeited. In no event, however, may the Option be exercised after its Expiration Date.
- (ii) Restricted Shares.** If your Award includes Restricted Shares, you will forfeit any then unvested Restricted Shares.

(iii) **Performance Share Award.** If your Award includes a Performance Share Award, and you voluntarily terminate your employment prior to the end of the Performance Period, you will forfeit your entire Performance Share Award.

(e) **Termination for Cause.** If your employment is terminated by any member of the Company Group for any reason at a time when any member of the Company Group is entitled to terminate your employment for Cause:

(i) **Options.** If your Award includes an Option, any then unvested portion of the Option will be forfeited, and the Option may not be exercised after termination of your employment.

(ii) **Restricted Shares.** If your Award includes Restricted Shares, any then unvested Restricted Shares will be forfeited.

(iii) **Performance Share Award.** If your Award includes a Performance Share Award and your employment is terminated by any member of the Company Group for any reason at a time when any member of the Company Group is entitled to terminate your employment for Cause prior to the end of the Performance Period, you will forfeit your entire Performance Share Award.

6. Restrictive Covenants and Remedies. By accepting the Award, you specifically agree to the restrictive covenants contained in this Section 6 (the “**Restrictive Covenants**”) and you agree that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company Group. You also acknowledge the uncertainty of the law with respect to Restrictive Covenants and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law. Sections 6(b) and 6(c) apply to you only if you are employed outside the states of California or Massachusetts. Further, if you are an attorney, the Restrictive Covenants apply to you only to the extent they are consistent with the rules of professional conduct applicable to you (for example, Minnesota Rule of Professional Conduct 5.6).

(a) **Confidentiality.** In consideration of the Award, you acknowledge that the Company Group operates in a competitive environment and has a substantial interest in protecting its Confidential Information, and you agree, during your employment with the Company Group and thereafter, to maintain the confidentiality of the Company Group’s Confidential Information and to use such Confidential Information for the exclusive benefit of the Company Group. You will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. You shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court

proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(b) Competitive Activity. During your employment with the Company Group and for one year following the later of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled vesting date for your Award, you shall not compete, directly or indirectly, through an Affiliate or otherwise, in any manner or capacity (including, without limitation, through any form of ownership or as a principal, agent, partner, officer, director, employee, advisor or consultant) with the Company Group, for your benefit or for the benefit of any other Person other than the Company Group anywhere in the world. In the event that any portion of this Section 6(b) shall be determined by an arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such arbitrator in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law. Ownership of less than 1% of the outstanding capital stock of any corporation listed on a national securities exchange will not constitute a breach of this Section 6(b).

(c) Non-Solicitation. During your employment and for one year following the later of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled award vesting date, you shall not:

- (i)** induce or attempt to induce any employee of the Company Group to leave the employ of Company Group, or in any way interfere adversely with the relationship between any such employee and Company Group;
- (ii)** induce or attempt to induce any employee of Company Group to work for, render services to, provide advice to, or supply Confidential Information of Company Group to any third Person;
- (iii)** employ, or otherwise pay for services rendered by, any employee of Company Group in any business enterprise with which you may be associated, connected or affiliated;
- (iv)** induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Company Group to cease doing business with Company Group, or in any way interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Company Group; or
- (v)** assist, solicit, or encourage any other Person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by you. In particular, you will not, directly or indirectly, induce any employee of Company Group to carry out any such activity.

(d) Intellectual Property Assignment and Disclosure.

- (i) Assignment.** You hereby assign, agree to assign and transfer to the Company Group, for valuable consideration, the adequacy of which you acknowledge, all right, title and interest,

including all “**Intellectual Property Rights**”, as defined in Section 8(k), in the following (referred to as “**Developments**”): (a) any and all works and inventions that have been or will be conceived, created, made, invented, developed, discovered or reduced to practice by you in the performance of your duties for the Company Group or that relate to the Company Group’s business or any of the products or services being offered, developed, manufactured, marketed, sold or otherwise provided by the Company Group or which may be used in relation therewith, (b) all algorithms, ideas or information that will be or have been conceived, originated, adapted, discovered, developed, acquired, evaluated, tested or applied by you while employed by the Company Group, (c) and all drafts, notes, concepts, suggestions, and approaches, modifications, improvements and derivative works related thereto and each element and part thereof. You acknowledge that your work and services while employed by the Company Group, including, without limitation, Developments, will be works done under the Company Group’s direction and control and specially ordered or commissioned by the Company Group. To the extent the Developments are copyrightable subject matter, they shall constitute “works made for hire” under the United States Copyright Act. If for any reason a Development is determined not to be a work made for hire under applicable law, you hereby assign and transfer to the Company Group all of your right, title, and interest in and to the Development and Intellectual Property Rights pertaining thereto.

NOTICE: The foregoing assignment of Developments and Intellectual Property Rights in this Agreement does not apply to any invention for which no Company Group equipment, supplies, facilities or trade secret information are used and which is developed entirely on your own time, unless (a) the invention relates (i) directly to the Company Group’s business, or (ii) to the Company Group’s actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Company Group.

- (ii) **Disclosure.** During the course of your employment and after termination thereof, you agree to promptly disclose, deliver and communicate, without additional compensation, all Developments, if the Developments or information pertaining thereto could reasonably be expected to prove useful or valuable to the Company Group. Following disclosure of each Development and at the request of the Company Group and without additional consideration, you agree to promptly execute documents and take actions so that the Company can perfect its interest in and protect any Intellectual Property Rights pertaining to the Development including, but not limited to, documents necessary to obtain and maintain patent protection, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same and to defend any opposition, petitions or application for revocation of a patent, copyright or other analogous protection. In the event the Company Group is unable, after reasonable effort, to secure your signature to perfect its Intellectual Property Rights relating to a Development, you hereby irrevocably designate and appoint the Company Group and its duly authorized officers and agents as attorney-in-fact to act for and on your behalf and execute and file any necessary documents to perfect and protect its Intellectual Property Rights with the same legal force and effect as if executed by you.

- (e) **Partial Invalidity.** If any portion of this Section 6 is determined by an arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.
- (f) **Remedy for Breach.** You agree that a breach of any of the Restrictive Covenants would cause material and irreparable harm to the Company Group that would be difficult or impossible to measure, and that monetary damages for any such harm would, therefore, be an inadequate remedy. Accordingly, you agree that if you breach any Restrictive Covenant, the Company Group shall be entitled, in addition to and without limitation upon all other remedies the Company Group may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach through arbitration. You further agree that the duration of the Restrictive Covenant shall be extended by the same amount of time that you are in breach of any Restrictive Covenant.
- (g) **Claw Back & Recovery.** You agree your Award, the Shares underlying your Award, as well as the value of any and all Shares no longer under your control, are subject to forfeiture and recovery pursuant to the Company's Clawback Policy, as it may be amended from time to time (the "**Clawback Policy**"), available upon request, and any applicable law, rule or regulation or applicable stock exchange rule, including, without limitation, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. You acknowledge you have had an opportunity to review the Clawback Policy. Forfeiture and recovery under the Clawback Policy may include:
- (i) the immediate forfeiture of any of the then unexercised portion of any Option included in your Award, any unvested Restricted Shares included in your Award, and any Performance Share Award included in your Award;
 - (ii) a requirement that you immediately return to the Company any Shares issued upon exercise of any Option included in your Award, and any Shares in your Award that were previously Restricted Shares and any Shares issued under any Performance Share Award that, in each case, are still under your control; and
 - (iii) a requirement that you promptly pay to the Company an amount equal to the fair market value of all Shares included in your Award that are no longer under your control (as measured on the exercise date of any such Option, the vesting date of any such formerly Restricted Shares, and the date of issuance of any Shares issued under any such Performance Share Award, as applicable).

- (h) **Right of Set Off.** By accepting the Award, you agree that any member of the Company Group may, to the extent permitted by applicable law, set off any amount owed to you (including wages or other compensation, fringe benefits or vacation pay) against any amounts you owe under this Section 6.

7. General Terms and Conditions.

(a) Rights as a Shareholder.

- (i) **Options.** You will have no rights as a shareholder with respect to any Shares issuable upon exercise of an Option, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until you have actually received such Shares following the exercise of the Option in accordance with the terms of this Agreement and the Plan.
- (ii) **Restricted Shares.** Upon the issuance of Restricted Shares, you shall be entitled to exercise the rights of a stockholder. Notwithstanding the foregoing, you will not have the right to vote any Restricted Shares during the time period such Restricted Shares are subject to the restrictions in Section 3(a) (the “**Restricted Period**”), and you will not have any right to any dividends paid on Restricted Shares during the Restricted Period.
- (iii) **Performance Share Awards.** You will have no rights as a stockholder with respect to any Shares issuable under a Performance Share Award until you have actually received such Shares in accordance with the terms of this Agreement and the Plan.
- (iv) **Dividend Equivalents.** If your Award includes Restricted Shares or a Performance Share Award, upon vesting of such Restricted Shares or upon issuance of Shares underlying such Performance Share Award, as the case may be, in accordance with the terms of this Agreement, you will be entitled to the Total Dividend Equivalent Amount with respect to such Restricted Shares or Performance Share Award. The Total Dividend Equivalent Amount will be converted to Shares and issued to you upon vesting of Restricted Shares, or issuance of Shares underlying a Performance Share Award, as applicable; provided, however, that the Committee may pay you the Total Dividend Equivalent Amount in cash, as determined in its sole discretion. Any such conversion shall be based on the closing price of one Share on the applicable dividend payment date. In the event any such conversion results in a fraction of a Share, the number of such Shares shall be rounded up to the nearest whole number. The Company’s obligation to issue such Shares or pay such amounts are subject to the same terms and conditions as apply to your Restricted Shares and any Performance Share Award.
- (A) **“Dividend Equivalent Amount”** means the amount of any dividend paid on one Share that has a record date during the Dividend Equivalent Period multiplied by (1) in the case of Restricted Shares, the number of Restricted Shares held by you as of such record date and, (2) in the case of a Performance Share Award, the Performance Share Number.

(B) “Dividend Equivalent Period” means the period beginning on the grant date and ending (i) in the case of Restricted Shares, on the vesting date of such Restricted Shares and, (ii) in the case of a Performance Share Award, on the date of issuance of any Shares underlying a Performance Share Award.

(C) “Total Dividend Equivalent Amount” means the sum of all Dividend Equivalent Amounts with respect to the Restricted Shares granted under this Agreement or the Performance Share Award granted under this Agreement, as applicable.

(b) Transferability.

(i) Options. Options may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions of this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Option, shall be void and unenforceable against the Company.

(ii) Restricted Shares. Restricted Shares are subject to the restrictions set forth in Section 3(a) of this Agreement.

(iii) Performance Share Awards. Performance Share Awards may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of a Performance Share Award contrary to the provisions of this Agreement or the Plan, or the levy of any execution, attachment or similar process upon a Performance Share Award, shall be void and unenforceable against the Company.

(c) No Right to Continued Employment. This Agreement does not guarantee your continued employment nor alter the right of any member of the Company Group to terminate your employment at any time.

(d) Participant’s Acknowledgements.

(i) Committee’s Sole Discretion. The Committee has sole discretion to make decisions regarding your Award, and to interpret all terms of this Agreement, with the exception of the application of the Company’s Arbitration Policy. You agree that all decisions regarding, and interpretations of, this Agreement by the Committee are binding, conclusive, final and non-appealable.

- (ii) **Taxes.** You are liable for any for any federal, state and other taxes incurred upon the exercise, vesting or settlement of any Award, and any subsequent disposition of any Shares.
- (A) **Options.** Any Options included in your Award are Non-Qualified Stock Options not eligible for treatment as qualified or incentive stock options for federal income tax purposes. Prior to exercising any Option, you will pay or make adequate arrangements satisfactory to the Company to satisfy all applicable taxes. In that regard, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to any such exercise, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.
- (B) **Restricted Shares.** Upon vesting of any Restricted Shares, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to the time such withholding is due, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.
- (C) **Performance Share Award.** Upon issuance of any Shares of your Performance Share Award, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to the time such withholding is due, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.
- (iii) **Section 83(b) Election.** If your Award includes Restricted Shares, you acknowledge that you may file an election pursuant to Section 83(b) of the Internal Revenue Code to be taxed currently on the fair market value of any Restricted Shares of Restricted Stock, provided that such election must be filed with the Internal Revenue Service no later than 30 days after the grant of such Restricted Shares. You agree to seek the advice of your own tax

advisors as to the advisability of making such a Section 83(b) election, the potential consequences of making such an election, the requirements for making such an election, and the other tax consequences of the Restricted Shares under federal, state, and any other laws that may be applicable.

(iv) Consultation With Professional Tax Advisors. You acknowledge that the grant, exercise, vesting or any payment with respect to the Award, and the sale or other taxable disposition of the Shares acquired as a result of the Award may have tax consequences under federal, state, local or international tax laws. You further acknowledge that you are relying solely on your own professional tax and investment advisors with respect to any and all such matters (and are not relying, in any manner, on the Company or any of its employees or representatives). You understand and agree that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, are solely your responsibility without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse you for such taxes.

(e) Severability. In the event that any provision in the Plan or this Agreement is held to be invalid, illegal or unenforceable or would disqualify the Plan or this Agreement under any law, the invalid, illegal or unenforceable provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to the applicable jurisdiction or Shares, and the remainder of the Plan or this Agreement shall remain in full force and effect.

(f) Governing Law and Dispute Resolution. Any disputes under this Agreement or the Plan must be resolved by arbitration subject to the Company's Arbitration Policy. The substantive laws of Minnesota, without regard to the conflict of law provisions, shall apply to all questions concerning this Agreement to the extent not prohibited by the applicable law of the State in which you primarily work and reside; however, the Arbitration Policy, its enforceability, and its implementation are governed by the Federal Arbitration Act.

8. Definitions. Capitalized terms used but not defined in this Agreement are defined in the Plan or, if not defined therein, will have the following meanings:

(a) "Beneficial Owner" will have the meaning defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor provision.

(b) "Board" means the Board of Directors of Best Buy Co., Inc.

(c) "Cause" for termination of your employment with the Company Group shall, solely for purposes of this Agreement, be deemed to exist if you:

- (i) are charged with, convicted of or enter a plea of guilty or *nolo contendere* to: (a) a felony, (b) any crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct, or (c) any crime involving the business of the Company Group;
- (ii) in the performance of your duties for the Company Group or otherwise to the detriment of the Company Group, engage in: (a) dishonesty that is harmful to the Company Group, monetarily or otherwise, (b) willful or gross misconduct, (c) willful or gross neglect, (d) fraud, (e) misappropriation, (f) embezzlement, or (g) theft;
- (iii) disobey the directions of the Board, or any individual or individuals the Board authorizes to act on its or their behalf, acting within the scope of its or their authority;
- (iv) fail to comply with the policies or practices of the Company Group;
- (v) fail to devote substantially all of your business time and effort to the Company Group;
- (vi) are adjudicated in any civil suit, or acknowledge in writing in any agreement or stipulation, to have committed any theft, embezzlement, fraud, or other act of dishonesty involving any other Person;
- (vii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have engaged in a pattern of poor performance;
- (viii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have willfully engaged in conduct that is harmful to the Company Group, monetarily or otherwise;
- (ix) breach any provision of this Agreement or any other agreement between you and any member of the Company Group; or
- (x) engage in any activity intended to benefit any entity at the expense of the Company Group or intended to benefit any competitor of the Company Group.

All determinations and other decisions relating to Cause (as defined above) for termination of your employment shall be within the sole discretion of the Board or any individual or individuals the Board authorizes to act on its behalf; and shall be final, conclusive and binding upon you. In the event that there exists Cause (as defined above) for termination of your employment, the Company may terminate this Agreement immediately, upon written notification of such termination for Cause, given to you by the Board or any individual or individuals the Board authorizes to act on its behalf. The use of this definition solely for purposes of this Agreement does not change your at will employment status.

(d) "Change of Control" means:

- (i)** the consummation of any transaction in which any Person or Group, other than a member or members of the Company Group or any trustee or other fiduciary holding securities under an employee benefit plan or plans of a member of the Company Group, becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the voting power of the Company's securities other than any such transaction in which the security holders of the Company immediately prior to such transaction Beneficially Own, immediately following such transaction, securities representing 50% or more of the voting power of the Company's securities in substantially the same proportions as their ownership immediately prior to such transaction;
- (ii)** individuals who at the Award Date constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least 2/3 of the directors then still in office who either were directors at the Award Date or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof;
- (iii)** there is consummated a merger or consolidation of the Company with any other entity, other than (a) a merger or consolidation in which the Beneficial Owners of securities of the Company outstanding immediately prior thereto representing 50% or more of the voting power of the Company's securities Beneficially Own, in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of a member of the Company Group (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or parent thereof outstanding immediately after such merger or consolidation in substantially the same proportions as their Beneficial Ownership immediately prior to such transaction, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;
- (iv)** the consummation of any transaction or series of related transactions in which all or substantially all the Company's assets are sold or otherwise transferred, other than any sale or transfer to a Person or Group, at least 50% of the combined voting power of the voting securities of which are Beneficially Owned by shareholders of the Company in substantially the same proportions as such shareholders' Beneficial Ownership of voting securities of the Company; or
- (v)** approval by the shareholders of a definitive agreement or plan to liquidate or dissolve the Company.

The Board shall determine in its sole discretion that a Change of Control of the Company has occurred.

- (e) **“Company Group”** means, collectively, Best Buy Co., Inc. and its subsidiaries.
- (f) **“Committee”** means the Compensation and Human Resources Committee of the Board of Directors of Best Buy Co., Inc.
- (g) **“Confidential Information”** means all “Confidential Information” as that term is defined in Best Buy’s Confidentiality Policy, and includes, without limitation, any and all information in whatever form, whether written, electronically stored, orally transmitted or memorized relating to trade secrets, customer lists, records and other information regarding customers, price lists and pricing policies, financial information, records, ledgers and information, purchase orders, agreements and related data, business development and strategic plans, products and technologies, product tests, manufacturing costs, product or service pricing, sales and marketing plans, research and development plans, personnel and employment records, files, data and policies (regardless of whether the information pertains to you or other employees of the Company Group), tax information, business and sales methods and operations, business correspondence, memoranda and other records, inventions, improvements and discoveries, processes and methods, business operations and related data formulae, computer records and related data, know-how, research and development, trademark, technology, technical information, copyrighted material, and any other confidential or proprietary data and information which you encounter during employment, all of which are held, possessed and/or owned by the Company Group and all of which are used in the operations and business of the Company Group. Confidential Information does not include information which is or becomes generally known within the Company Group’s industry through no act or omission by you. Confidential Information also does not include information about unlawful or potentially unlawful acts in the workplace.
- (h) **“Disability”** means your disability that has caused you to either (i) have qualified for long term disability payments under the Company’s long-term disability plan; or (ii) to have been unable to perform the essential functions of your position (with or without reasonable accommodation) with any Company Group member for at least 6 consecutive months.
- (i) **“GAAP”** means generally accepted accounting principles in the United States.
- (j) **“Group”** shall have the meaning as such term has under Section 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor provision.
- (k) **“Intellectual Property Rights”** means any and all (i) copyrights and other rights associated with works of authorship throughout the world (ii) patents, patent disclosures and all rights to inventions whether patentable or not (iii) trade secrets and other confidential information (including Confidential Information defined herein) (iv) trademarks, trade names, domain names, and the goodwill associated therewith (v) all other intellectual and industrial property rights of every kind and nature however designated, whether arising out of operation of law, contract,

license, or otherwise, and (vi) all registrations, applications, renewals, extensions, divisions, continuations or reissues thereof now or hereafter in effect.

- (l) **“Involuntarily Terminated Without Cause”** means (i) your employment is terminated by your employer at a time when your employer is not entitled to terminate your employment for Cause or (ii) in the event the entity that employs you is a direct or indirect a subsidiary or other Affiliate of the Company (the **“Employing Entity”**), any transaction in which securities representing more than 50% of the voting power of the Employing Entity becoming Beneficially Owned by any Person or Persons other than the Company or one of its subsidiaries, whether via a transfer of such securities to such Person or Persons or via merger, consolidation or otherwise.
- (m) **“Qualified Retirement”** means any termination of your employment with the Company Group that occurs on or after your 60th birthday, at a time when no member of the Company Group is entitled to discharge you for Cause, so long as you have served the Company Group continuously for at least the five-year period immediately preceding that termination.
- (n) **“Section 16 Officer”** means an officer of the Company subject to Section 16 of the Securities Exchange Act of 1934, as amended.



BEST BUY CO., INC.
LONG-TERM INCENTIVE PROGRAM AWARD AGREEMENT
Award Date: ____, 2023

This Long-Term Incentive Program Agreement (the “**Agreement**”), dated the date set forth above (the “**Award Date**”), is between Best Buy Co., Inc., a Minnesota corporation, (“**Best Buy**” or the “**Company**”), and the employee (“**you**” or the “**Participant**”) of the Company (or one of its Affiliates) whose name is set forth in the Award Notification you received from the Company (the “**Award Notification**”). The Award Notification is included in and made a part of this Agreement.

- 1. Grant of Award.** In consideration of your employment with or service to a member of the Company Group, the Company hereby grants to you the award set forth in the Award Notification (the “**Award**”) subject to the terms and conditions of this Agreement and the Best Buy Co., Inc. 2020 Omnibus Incentive Plan (the “**Plan**”). In the event of any conflict between this Agreement and the Plan, the Plan will govern. By your acceptance of this Award, you acknowledge receipt of a copy of the Prospectus for the Plan and your agreement to the terms and conditions of the Plan and this Agreement.
- 2. Options.** This section applies to you if your Award includes an Option. An “**Option**” is a right to purchase a number of shares of common stock of the Company (“**Shares**”) at the price per share of Common Stock stated in the Award Notification.
 - (a) Term and Vesting.** The Option shall expire and no longer be exercisable on the tenth anniversary the Award Date or such earlier date as provided herein (such date, the “**Expiration Date**”). Except as otherwise set forth herein, the Option may be exercised, in whole or in part, at any time prior to the Expiration Date, in accordance with the schedule stated in the Award Notification. In no case may the Option be exercised after the Expiration Date.
 - (b) Method of Exercise.** The Option may be exercised by written notice to the Company (through the Plan administrator or other means specified by the Company) stating the number of Shares to be purchased. Such notice must be accompanied by payment in full of the exercise price for all Shares to be purchased, at the election of the Participant, by (i) cash or check, (ii) delivery of unencumbered Shares previously acquired by you having a Fair Market Value on the date of exercise that is equal to the exercise price, (iii) withholding of Shares that would otherwise be issued upon such exercise having a Fair Market Value on the date of exercise equal to the aggregate exercise price for the Shares for which the Option is being exercised or (iv) a cashless (broker-assisted) exercise that complies with all applicable laws.
- 3. Restricted Stock Units.** This section applies to you if your Award includes Restricted Stock Units. A “**Restricted Stock Unit**” is a commitment by the Company to issue a certain number of Shares to you upon the lapse of the restrictions set forth in this Agreement, provided you meet certain employment criteria. A Restricted Stock Unit does not represent immediate ownership of Shares.

- (a) **Restrictions.** Until your Restricted Stock Units become vested as provided in the Award Notification, they are subject to the restrictions described in this Agreement and the Plan (the “**Restrictions**”) during the period (the “**Restricted Period**”) beginning on the Award Date and ending on the date of vesting. Restricted Stock Units may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition contrary to the provisions this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Restricted Stock Units, shall be void and unenforceable against the Company.
- (b) **Vesting.** Except as otherwise set forth herein, so long as you remained employed by a member of the Company Group, the Restricted Stock Units shall vest in accordance with the schedule stated in the Award Notification.
- (c) **Issuance of Shares Underlying Restricted Stock Units.** Unless otherwise determined by the Committee, the Company shall issue the Shares underlying the Restricted Stock Units within 60 days following vesting of such Restricted Stock Units.

4. Performance Share Award. This section applies to you if your Award includes a Performance Share Award. A “**Performance Share Award**” is a commitment by the Company to issue a certain number of Shares to you provided you meet certain employment criteria and that the Company achieves certain financial performance levels. A Performance Share Award does not represent immediate ownership of Shares.

- (a) **Determination of Number of Shares under Performance Share Award.** The number of Shares issuable under your Performance Share Award (the “**Performance Share Number**”) will be equal to a percentage of the target number of Shares stated in your Award Notification (the “**TSR Target**”), as determined below.

(b) TSR Performance Share Number.

- (i) Within 120 days after the end of the Performance Period, the Committee will (A) calculate the TSR for Best Buy and for each company included in the S&P 500 Index as of the first day of the Performance Period, (B) rank each such company by TSR (lowest to highest), and (C) determine the percentile rank of Best Buy’s TSR in such ranking by dividing Best Buy’s numerical position in such TSR ranking by the total number of companies included in the list, rounding to the nearest hundredth (“**Relative TSR**”). For example, if Best Buy were ranked 300 out of 500, its Relative TSR would be 60%.
- (ii) Your Performance Share Number will be equal to the percentage of the TSR Target that is listed in the column below with the heading “Number of Shares Earned” opposite the band in the column with the heading “Performance” in which Relative TSR falls. If Relative TSR is between Threshold TSR and Target TSR or between Target TSR and Maximum TSR, your

Performance Share Number will be equal to a percentage interpolated on a linear basis for performance between such amounts. For example, if Best Buy's Relative TSR is 60%, then your Performance Share Number would be 125% of your TSR Target. Your Performance Share Number will be rounded to the nearest whole number.

Performance	Number of Shares Earned
Relative TSR less than 30% (“ Threshold TSR ”)	0
Relative TSR 30% or greater but less than 50%	50%-99% of TSR Target
Relative TSR 50% (“ Target TSR ”) or greater but less than 70%	100%-149% of TSR Target
Relative TSR Greater than 70% (“ Maximum TSR ”)	150% of TSR Target
The number of performance shares earned will be interpolated on a linear basis for performance between Threshold and Target and between Target and Maximum.	

(c) Certain Definitions.

(A) “Beginning Price” means, with respect to any one company, the average closing price of one share of common stock during the first fiscal quarter of the Performance Period.

(B) “Ending Price” means, with respect to any one company, the average closing price of one share of common stock during the first fiscal quarter following completion of the Performance Period.

(C) “Performance Period” means the performance period stated in the Award Notification.

(D) “TSR” means, with respect to any one company, the price appreciation of one share of common stock as measured from the Beginning Price to the Ending Price, assuming all dividends and other distributions made on such share are reinvested, expressed as a percentage.

(d) Change of Control. Notwithstanding anything in this Agreement to the contrary, in the event of a Change of Control prior to the end of the Performance Period, the Committee will determine Relative TSR using the average closing price of one share of common stock during the last completed fiscal quarter in order to determine the Ending Price, and the Performance Share Number will be equal to the greater of (i) the number determined pursuant to Section 4(b)(ii) above and (ii) the TSR Target.

(e) Performance Share Number Not Guaranteed. If Relative TSR is less than Threshold TSR, your Performance Share Number will be 0 and there will be no Shares issued under your Performance Share Award. The Committee shall have sole discretion to determine Relative TSR.

(f) Issuance of Shares. Any Shares issuable to you under your Performance Share Award will be issued within 60 days after the Committee’s determination of Relative TSR; provided however, that the Company’s obligation to issue such shares is subject to Section 5 of this Agreement.

5. Effect of Termination of Employment. Your employment with the Company Group may be terminated by your employer at any time for any reason (with or without advance notice). This section provides the effect on your Award of different types of termination of employment.

(a) Qualified Retirement. In the event of your Qualified Retirement:

- (i) Options.** If your Award includes an Option, the Option will continue to vest in accordance with the vesting schedule set forth above. You will have until the later of (A) three years from the date of your Qualified Retirement and (B) the last scheduled vesting date to exercise the entire Option; provided, however, that in no event shall the Option be exercisable after the Expiration Date. Any portion of the Option unexercised at the end of this period will be forfeited.
- (ii) Restricted Stock Units.** If your Award includes Restricted Stock Units, such Restricted Stock Units will continue to vest in accordance with the vesting schedule set forth in the Award Notification, notwithstanding that you are no longer providing services to a member of the Company Group. Once vested, the Restricted Stock Units will be settled as provided in Section 3(c) above.
- (iii) Performance Shares.** If your Award includes Performance Shares and in the event of your Qualified Retirement prior to the end of the Performance Period, you may be entitled to a prorated Performance Share Award. If Relative TSR is greater than Threshold TSR (as determined after the end of the Performance Period), you will be entitled to a prorated Performance Share Number. Your Performance Share Award will be determined by multiplying the Performance Share Number calculated as if you were employed by a member of the Company Group on the last day of the Performance Period by a fraction, the numerator of which is the number of days during the Performance Period you were so employed, and the denominator of which is the number of days in the Performance Period.

(b) Death or Disability. In the event of your death or employment termination due to Disability:

- (i) Options.** If your Award includes an Option, any then unvested portion of the Option will vest and become exercisable as of the date of death or, in the case of Disability, as of the date of employment termination. In the event of your death, the representative of your estate or your heirs will have until the earlier of (A) one year from the date of your death and (B) the Expiration Date of the Option, to exercise the Option. In the event you become Disabled while employed with the Company Group and must therefore terminate your employment, you will have until the earlier of (X) one year from the date of your employment termination and (Y) the Expiration Date of the Option, to exercise the Option.
- (ii) Restricted Stock Units.** If your Award includes Restricted Stock Units, the Restrictions will lapse immediately and Restricted Stock Units that are unvested as of the date of death or, in the case of Disability, employment termination will become vested immediately

(notwithstanding the vesting schedule set forth in the Award Notification). Once vested, the Restricted Stock Units will be settled as provided in Section 3(c) above (or the earliest such later date as is required to satisfy Section 409A of the Code, as described in Section 7 below).

(iii) Performance Share Award. If your Award includes a Performance Share Award and in the event of your death or employment termination due to Disability prior to the end of the Performance Period, you or the representative of your estate or your heirs, as applicable, may be entitled to a prorated Performance Share Award. If Relative TSR is greater than Threshold TSR (as determined as of the last completed fiscal quarter prior to the date of termination of employment to determine the Ending Price), you or the representative of your estate or your heirs, as applicable, will be entitled to a prorated Performance Share Number. Your Performance Share Award will be determined by multiplying the Performance Share Number calculated as of the date of termination of employment multiplied by a fraction, the numerator of which is the number of days during the Performance Period you were employed, and the denominator of which is the number of days in the Performance Period.

(c) Involuntary Termination Without Cause. If your employment is Involuntarily Terminated Without Cause:

(i) Options. If your Award includes an Option, you will have 60 days from the date of termination of your employment to exercise the portion of the Option vested as of your termination date, and any portion of the Option then unvested will be forfeited; provided, however, that if your employment is Involuntarily Terminated Without Cause within 12 months following a Change of Control, any then unvested portion of the Option will vest and become exercisable during the period ending 60 days from the date of termination of your employment. In no event, however, may the Option be exercised after its Expiration Date.

(ii) Restricted Stock Units. If your Award includes Restricted Stock Units, you will forfeit any then unvested Restricted Stock Units.

(iii) Performance Share Award. If your Award includes a Performance Share Award and your employment is Involuntarily Terminated Without Cause prior to the end of the Performance Period, you may be entitled to a prorated Performance Share Award. If Relative TSR is greater than Threshold TSR (as determined after the end of the Performance Period), you will be entitled to a prorated Performance Share Number. Your Performance Share Award is determined by multiplying the Performance Share Number calculated as if you were employed by a member of the Company Group on the last day of the Performance Period multiplied by a fraction, the numerator of which is the number of days during the Performance Period you were employed, and the denominator of which is the number of days in the Performance Period.

(d) Voluntary Termination. If you voluntarily terminate your employment with the Company Group for any reason:

- (i) Options.** If your Award includes an Option, you will have 60 days from the date of termination of your employment to exercise the Option, to the extent the Option had become vested as of your termination date. Any then unvested portion of the Option will be forfeited. In no event, however, may the Option be exercised after its Expiration Date.
- (ii) Restricted Stock Units.** If your Award includes Restricted Stock Units, you will forfeit any then unvested Restricted Stock Units.
- (iii) Performance Share Award.** If your Award includes a Performance Share Award, and you voluntarily terminate your employment prior to the end of the Performance Period, you will forfeit your entire Performance Share Award.

(e) Termination for Cause. If your employment is terminated by any member of the Company Group for any reason at a time when any member of the Company Group is entitled to terminate your employment for Cause:

- (i) Options.** If your Award includes an Option, any then unvested portion of the Option will be forfeited, and the Option may not be exercised after termination of your employment.
- (ii) Restricted Stock Units.** If your Award includes Restricted Stock Units, any then unvested Restricted Stock Units will be forfeited.
- (iii) Performance Share Award.** If your Award includes a Performance Share Award and your employment is terminated by any member of the Company Group for any reason at a time when any member of the Company Group is entitled to terminate your employment for Cause prior to the end of the Performance Period, you will forfeit your entire Performance Share Award.

6. Restrictive Covenants and Remedies. By accepting the Award, you specifically agree to the restrictive covenants contained in this Section 6 (the “**Restrictive Covenants**”) and you agree that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company Group. You also acknowledge the uncertainty of the law with respect to Restrictive Covenants and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law. Sections 6(b) and 6(c) apply to you only if you are employed outside the states of California or Massachusetts. Further, if you are an attorney, the Restrictive Covenants apply to you only to the extent they are consistent with the rules of professional conduct applicable to you (for example, Minnesota Rule of Professional Conduct 5.6).

(a) Confidentiality. In consideration of the Award, you acknowledge that the Company Group operates in a competitive environment and has a substantial interest in protecting its

Confidential Information, and you agree, during your employment with the Company Group and thereafter, to maintain the confidentiality of the Company Group's Confidential Information and to use such Confidential Information for the exclusive benefit of the Company Group. You will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. You shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order.

(b) Competitive Activity. During your employment with the Company Group and for one year following the later of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled vesting date for your Award, you shall not compete, directly or indirectly, through an Affiliate or otherwise, in any manner or capacity (including, without limitation, through any form of ownership or as a principal, agent, partner, officer, director, employee, advisor or consultant) with the Company Group, for your benefit or for the benefit of any other Person other than the Company Group anywhere in the world. In the event that any portion of this Section 6(b) shall be determined by an arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such arbitrator in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law. Ownership of less than 1% of the outstanding capital stock of any corporation listed on a national securities exchange will not constitute a breach of this Section 6(b).

(c) Non-Solicitation. During your employment and for one year following the later of (i) termination of your employment for any reason whatsoever or (ii) the last scheduled award vesting date, you shall not:

- (a) induce or attempt to induce any employee of the Company Group to leave the employ of Company Group, or in any way interfere adversely with the relationship between any such employee and Company Group;
- (b) induce or attempt to induce any employee of Company Group to work for, render services to, provide advice to, or supply Confidential Information of Company Group to any third Person;
- (c) employ, or otherwise pay for services rendered by, any employee of Company Group in any business enterprise with which you may be associated, connected or affiliated;
- (d) induce or attempt to induce any customer, supplier, licensee, licensor or other business relation of Company Group to cease doing business with Company Group, or in any way

- interfere with the then existing business relationship between any such customer, supplier, licensee, licensor or other business relation and Company Group; or
- (e) assist, solicit, or encourage any other Person, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by you. In particular, you will not, directly or indirectly, induce any employee of Company Group to carry out any such activity.

(d) Intellectual Property Assignment and Disclosure.

- (i) **Assignment.** You hereby assign, agree to assign and transfer to the Company Group, for valuable consideration, the adequacy of which you acknowledge, all right, title and interest, including all **“Intellectual Property Rights”**, as defined in Section 8(k), in the following (referred to as **“Developments”**): (a) any and all works and inventions that have been or will be conceived, created, made, invented, developed, discovered or reduced to practice by you in the performance of your duties for the Company Group or that relate to the Company Group’s business or any of the products or services being offered, developed, manufactured, marketed, sold or otherwise provided by the Company Group or which may be used in relation therewith, (b) all algorithms, ideas or information that will be or have been conceived, originated, adapted, discovered, developed, acquired, evaluated, tested or applied by you while employed by the Company Group, (c) and all drafts, notes, concepts, suggestions, and approaches, modifications, improvements and derivative works related thereto and each element and part thereof. You acknowledge that your work and services while employed by the Company Group, including, without limitation, Developments, will be works done under the Company Group’s direction and control and specially ordered or commissioned by the Company Group. To the extent the Developments are copyrightable subject matter, they shall constitute “works made for hire” under the United States Copyright Act. If for any reason a Development is determined not to be a work made for hire under applicable law, you hereby assign and transfer to the Company Group all of your right, title, and interest in and to the Development and Intellectual Property Rights pertaining thereto.

NOTICE: The foregoing assignment of Developments and Intellectual Property Rights in this Agreement does not apply to any invention for which no Company Group equipment, supplies, facilities or trade secret information are used and which is developed entirely on your own time, unless (a) the invention relates (i) directly to the Company Group’s business, or (ii) to the Company Group’s actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by you for the Company Group.

- (ii) **Disclosure.** During the course of your employment and after termination thereof, you agree to promptly disclose, deliver and communicate, without additional compensation, all Developments, if the Developments or information pertaining thereto could reasonably be expected to prove useful or valuable to the Company Group. Following disclosure of each Development and at the request of the Company Group and without additional

consideration, you agree to promptly execute documents and take actions so that the Company can perfect its interest in and protect any Intellectual Property Rights pertaining to the Development including, but not limited to, documents necessary to obtain and maintain patent protection, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same and to defend any opposition, petitions or application for revocation of a patent, copyright or other analogous protection. In the event the Company Group is unable, after reasonable effort, to secure your signature to perfect its Intellectual Property Rights relating to a Development, you hereby irrevocably designate and appoint the Company Group and its duly authorized officers and agents as attorney-in-fact to act for and on your behalf and execute and file any necessary documents to perfect and protect its Intellectual Property Rights with the same legal force and effect as if executed by you.

- (e) Partial Invalidity.** If any portion of this Section 6 is determined by an arbitrator to be unenforceable in any respect, it shall be interpreted to be valid to the maximum extent for which it reasonably may be enforced, and enforced as so interpreted, all as determined by such arbitrator in such action. You acknowledge the uncertainty of the law in this respect and expressly stipulate that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.
- (f) Remedy for Breach.** You agree that a breach of any of the Restrictive Covenants would cause material and irreparable harm to the Company Group that would be difficult or impossible to measure, and that monetary damages for any such harm would, therefore, be an inadequate remedy. Accordingly, you agree that if you breach any Restrictive Covenant, the Company Group shall be entitled, in addition to and without limitation upon all other remedies the Company Group may have under this Agreement, at law or otherwise, to obtain injunctive or other appropriate equitable relief, without bond or other security, to restrain any such breach through arbitration. You further agree that the duration of the Restrictive Covenant shall be extended by the same amount of time that you are in breach of any Restrictive Covenant.
- (g) Claw Back & Recovery.** You agree your Award, the Shares underlying your Award, as well as the value of any and all Shares no longer under your control, are subject to forfeiture and recovery pursuant to the Company's Clawback Policy, as it may be amended from time to time (the "**Clawback Policy**"), available upon request, and any applicable law, rule or regulation or applicable stock exchange rule, including, without limitation, the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. You acknowledge you have had an opportunity to review the Clawback Policy. Forfeiture and recovery under the Clawback Policy may include:

 - (i)** the immediate forfeiture of any of the then unexercised portion of any Option included in your Award, any unvested Restricted Shares included in your Award, and any Performance Share Award included in your Award;

- (ii) a requirement that you immediately return to the Company any Shares issued upon exercise of any Option included in your Award, and any Shares in your Award that were previously Restricted Shares and any Shares issued under any Performance Share Award that, in each case, are still under your control; and
 - (iii) a requirement that you promptly pay to the Company an amount equal to the fair market value of all Shares included in your Award that are no longer under your control (as measured on the exercise date of any such Option, the vesting date of any such formerly Restricted Shares, and the date of issuance of any Shares issued under any such Performance Share Award, as applicable).
- (h) **Right of Set Off.** By accepting the Award, you agree that any member of the Company Group may, to the extent permitted by applicable law, set off any amount owed to you (including wages or other compensation, fringe benefits or vacation pay) against any amounts you owe under this Section 6.

7. General Terms and Conditions.

(a) Rights as a Shareholder.

- (i) **Options.** You will have no rights as a shareholder with respect to any Shares issuable upon exercise of an Option, nor have any rights to dividends or other rights as a shareholder with respect to any such Shares, until you have actually received such Shares following the exercise of the Option in accordance with the terms of this Agreement and the Plan.
- (ii) **Restricted Stock Units.** You will have no rights as a shareholder with respect to any Shares issuable under the Restricted Stock Units until you have actually received such Shares in accordance with the terms of this Agreement and the Plan. This means that you will not have the right to vote as a shareholder nor the right to receive dividend payments. Upon issuance of Shares at vesting of the Restricted Stock Units, you will have all of the rights of a shareholder with respect to the Shares unless Shares are forfeited or recovered under this Agreement or the Plan.
- (iii) **Performance Share Awards.** You will have no rights as a shareholder with respect to any Shares issuable under a Performance Share Award until you have actually received such Shares in accordance with the terms of this Agreement and the Plan.
- (iv) **Dividend Equivalents.** If your Award includes Restricted Stock Units or a Performance Share Award, upon issuance of Shares underlying such Restricted Stock Units or Performance Share Award, as the case may be, in accordance with the terms of this Agreement, you will be entitled to the Total Dividend Equivalent Amount with respect to such Restricted Stock Units or Performance Share Award. The Total Dividend Equivalent Amount will be converted to Shares and issued to you upon issuance of Shares underlying such Restricted Stock Units or Performance Share Award, as applicable; provided, however,

that the Committee may pay you the Total Dividend Equivalent Amount in cash, as determined in its sole discretion. Any such conversion shall be based on the closing price of one Share on the applicable dividend payment date. In the event any such conversion results in a fraction of a Share, the number of such Shares shall be rounded up to the nearest whole number. The Company's obligation to issue such Shares or pay such amounts are subject to the same terms and conditions as apply to your Restricted Stock Units and any Performance Share Award.

- (A) **"Dividend Equivalent Amount"** means the amount of any dividend paid on one Share that has a record date during the Dividend Equivalent Period multiplied by (1) in the case of Restricted Stock Units, the number of Restricted Stock Units held by you as of such record date and, (2) in the case of a Performance Share Award, the Performance Share Number.
- (B) **"Dividend Equivalent Period"** means the period beginning on the grant date and ending on the date of issuance of any Shares underlying Restricted Stock Units or a Performance Share Award, as applicable.
- (C) **"Total Dividend Equivalent Amount"** means the sum of all Dividend Equivalent Amounts with respect to the Restricted Stock Units or the Performance Share Award granted under this Agreement, as applicable.

(b) Transferability.

- (i) **Options.** Options may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Option contrary to the provisions of this Agreement or the Plan, or the levy of any execution, attachment or similar process upon the Option, shall be void and unenforceable against the Company.
- (ii) **Restricted Stock Units.** Restricted Stock Units are subject to the restrictions set forth in Section 3(a) of this Agreement.
- (iii) **Performance Share Awards.** Performance Share Awards may not be assigned, transferred (other than by will or the laws of descent and distribution), pledged or hypothecated (whether by operation of law or otherwise) or otherwise conveyed or encumbered, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of a Performance Share Award contrary to the provisions of this Agreement or the Plan, or the levy of any execution, attachment or similar process upon a Performance Share Award, shall be void and unenforceable against the Company.

(c) No Right to Continued Employment. This Agreement does not guarantee your continued employment nor alter the right of any member of the Company Group to terminate your employment at any time.

(d) Participant's Acknowledgements.

- (i) Committee's Sole Discretion.** The Committee has sole discretion to make decisions regarding your Award, and to interpret all terms of this Agreement, with the exception of the application of the Company's Arbitration Policy. You agree that all decisions regarding, and interpretations of, this Agreement by the Committee are binding, conclusive, final and non-appealable.
- (ii) Taxes.** You are liable for any for any federal, state and other taxes incurred upon the lapse of a substantial risk of forfeiture (e.g., employment taxes) or upon delivery of Shares underlying the Restricted Stock Units (e.g., income taxes), and any subsequent disposition of any Shares (e.g., capital gain taxes).
- (A) Options.** Any Options included in your Award are Non-Qualified Stock Options not eligible for treatment as qualified or incentive stock options for federal income tax purposes. Prior to exercising any Option, you will pay or make adequate arrangements satisfactory to the Company to satisfy all applicable taxes. In that regard, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to any such exercise, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.
- (B) Restricted Stock Units.** Upon issuance of any Shares underlying your Restricted Stock Units, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to the time such withholding is due, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.

- (C) **Performance Share Award.** Upon issuance of any Shares of your Performance Share Award, you authorize the Company, or its agents, to satisfy its obligations to withhold taxes by withholding Shares having a Fair Market Value equal to the statutory minimum withholding obligation. If you are a Section 16 Officer of the Company, (i) the Company, or its agents, will satisfy its obligations to withhold taxes by withholding Shares to be issued at exercise of the Option having a Fair Market Value equal to the statutory minimum withholding obligation, and (ii) prior to the time such withholding is due, you may elect, in a manner and on such forms as provided by the plan administrator, to have additional Shares withheld in excess of the statutory minimum up to the maximum amount of your total tax obligation.
- (D) **Section 409A.** Anything herein to the contrary notwithstanding, this Agreement shall be interpreted so as to comply with or satisfy an exemption from Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively, "Section 409A"). The Committee may in good faith make the minimum modifications to this Agreement as it may deem appropriate to comply with Section 409A while to the maximum extent reasonably possible maintaining the original intent and economic benefit to you and the Company Group of the applicable provision.
- (1) To the extent required by Section 409A(a)(2)(B)(i), to the extent that you are a specified employee, Shares (or cash equivalent value of Shares) underlying Restricted Stock Units and Performance Share Awards that become payable to you upon your separation from service will be delayed and paid promptly after the earlier of the date that is six (6) months after the date of such separation from service or the date of your death after such separation from service. For purposes hereof, (x) any reference to your termination of employment under this Agreement shall mean your separation from service, (y) the occurrence of your "separation from service" will be determined in accordance with the default provisions of Treasury Regulation Section 1.409A-1(h) and (z) whether you are a "specified employee" will be determined in accordance with the default provisions of Treasury Regulation Section 1.409A-1(i) with the "identification date" to be December 31 and the "effective date" to be the April 1 following the identification date (as such terms are used under such regulation). Notwithstanding anything in this Agreement to the contrary, your employment shall not be deemed to have been terminated unless and until you have incurred a "separation from service" within the meaning of Section 409A.
- (2) For purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii), your right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each installment payment under this Agreement shall at all times be considered a separate and distinct payment.

(iii) Consultation With Professional Tax Advisors. You acknowledge that the grant, exercise, vesting or any payment with respect to the Award, and the sale or other taxable disposition of the Shares acquired as a result of the Award may have tax consequences under federal, state, local or international tax laws. You further acknowledge that you are relying solely on your own professional tax and investment advisors with respect to any and all such matters (and are not relying, in any manner, on the Company or any of its employees or representatives). You understand and agree that any and all tax consequences resulting from the Award and its grant, exercise, vesting or any payment with respect thereto, and the sale or other taxable disposition of the Shares acquired pursuant to the Plan, are solely your responsibility without any expectation or understanding that the Company or any of its employees or representatives will pay or reimburse you for such taxes.

(e) Severability. In the event that any provision in the Plan or this Agreement is held to be invalid, illegal or unenforceable or would disqualify the Plan or this Agreement under any law, the invalid, illegal or unenforceable provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or this Agreement, such provision shall be stricken as to the applicable jurisdiction or Shares, and the remainder of the Plan or this Agreement shall remain in full force and effect.

(f) Governing Law and Dispute Resolution. Any disputes under this Agreement or the Plan must be resolved by arbitration subject to the Company's Arbitration Policy. The substantive laws of Minnesota, without regard to the conflict of law provisions, shall apply to all questions concerning this Agreement to the extent not prohibited by the applicable law of the State in which you primarily work and reside; however, the Arbitration Policy, its enforceability, and its implementation are governed by the Federal Arbitration Act.

8. Definitions. Capitalized terms used but not defined in this Agreement are defined in the Plan or, if not defined therein, will have the following meanings:

(a) "Beneficial Owner" will have the meaning defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended, or any successor provision.

(b) "Board" means the Board of Directors of Best Buy Co., Inc.

(c) "Cause" for termination of your employment with the Company Group shall, solely for purposes of this Agreement, be deemed to exist if you:

(i) are charged with, convicted of or enter a plea of guilty or *nolo contendere* to: (a) a felony, (b) any crime involving moral turpitude, dishonesty, breach of trust or unethical business conduct, or (c) any crime involving the business of the Company Group;

(ii) in the performance of your duties for the Company Group or otherwise to the detriment of the Company Group, engage in: (a) dishonesty that is harmful to the Company Group,

monetarily or otherwise, (b) willful or gross misconduct, (c) willful or gross neglect, (d) fraud, (e) misappropriation, (f) embezzlement, or (g) theft;

- (iii) disobey the directions of the Board, or any individual or individuals the Board authorizes to act on its or their behalf, acting within the scope of its or their authority;
- (iv) fail to comply with the policies or practices of the Company Group;
- (v) fail to devote substantially all of your business time and effort to the Company Group;
- (vi) are adjudicated in any civil suit, or acknowledge in writing in any agreement or stipulation, to have committed any theft, embezzlement, fraud, or other act of dishonesty involving any other Person;
- (vii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have engaged in a pattern of poor performance;
- (viii) are determined, in the sole judgment of the Board or any individual or individuals the Board authorizes to act on its or their behalf, to have willfully engaged in conduct that is harmful to the Company Group, monetarily or otherwise;
- (ix) breach any provision of this Agreement or any other agreement between you and any member of the Company Group; or
- (x) engage in any activity intended to benefit any entity at the expense of the Company Group or intended to benefit any competitor of the Company Group.

All determinations and other decisions relating to Cause (as defined above) for termination of your employment shall be within the sole discretion of the Board or any individual or individuals the Board authorizes to act on its behalf; and shall be final, conclusive and binding upon you. In the event that there exists Cause (as defined above) for termination of your employment, the Company may terminate this Agreement immediately, upon written notification of such termination for Cause, given to you by the Board or any individual or individuals the Board authorizes to act on its behalf. The use of this definition solely for purposes of this Agreement does not change your at will employment status.

(d) “Change of Control” means:

- (i) the consummation of any transaction in which any Person or Group, other than a member or members of the Company Group or any trustee or other fiduciary holding securities under an employee benefit plan or plans of a member of the Company Group, becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the voting power of the Company's securities other than any such transaction in which the security holders of the Company immediately prior to such transaction

Beneficially Own, immediately following such transaction, securities representing 50% or more of the voting power of the Company's securities in substantially the same proportions as their ownership immediately prior to such transaction;

- (ii) individuals who at the Award Date constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's shareholders was approved or recommended by a vote of at least 2/3 of the directors then still in office who either were directors at the Award Date or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof;
- (iii) there is consummated a merger or consolidation of the Company with any other entity, other than (a) a merger or consolidation in which the Beneficial Owners of securities of the Company outstanding immediately prior thereto representing 50% or more of the voting power of the Company's securities Beneficially Own, in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of a member of the Company Group (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof), at least 50% of the combined voting power of the voting securities of the Company or such surviving entity or parent thereof outstanding immediately after such merger or consolidation in substantially the same proportions as their Beneficial Ownership immediately prior to such transaction, or (b) a merger or consolidation effected to implement a recapitalization of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities;
- (iv) the consummation of any transaction or series of related transactions in which all or substantially all the Company's assets are sold or otherwise transferred, other than any sale or transfer to a Person or Group, at least 50% of the combined voting power of the voting securities of which are Beneficially Owned by shareholders of the Company in substantially the same proportions as such shareholders' Beneficial Ownership of voting securities of the Company; or
- (v) approval by the shareholders of a definitive agreement or plan to liquidate or dissolve the Company.

The Board shall determine in its sole discretion that a Change of Control of the Company has occurred.

(e) **"Company Group"** means, collectively, Best Buy Co., Inc. and its subsidiaries.

- (f) **“Committee”** means the Compensation and Human Resources Committee of the Board of Directors of Best Buy Co., Inc.
- (g) **“Confidential Information”** means all “Confidential Information” as that term is defined in Best Buy’s Confidentiality Policy, and includes, without limitation, any and all information in whatever form, whether written, electronically stored, orally transmitted or memorized relating to trade secrets, customer lists, records and other information regarding customers, price lists and pricing policies, financial information, records, ledgers and information, purchase orders, agreements and related data, business development and strategic plans, products and technologies, product tests, manufacturing costs, product or service pricing, sales and marketing plans, research and development plans, personnel and employment records, files, data and policies (regardless of whether the information pertains to you or other employees of the Company Group), tax information, business and sales methods and operations, business correspondence, memoranda and other records, inventions, improvements and discoveries, processes and methods, business operations and related data formulae, computer records and related data, know-how, research and development, trademark, technology, technical information, copyrighted material, and any other confidential or proprietary data and information which you encounter during employment, all of which are held, possessed and/or owned by the Company Group and all of which are used in the operations and business of the Company Group. Confidential Information does not include information which is or becomes generally known within the Company Group’s industry through no act or omission by you. Confidential Information also does not include information about unlawful or potentially unlawful acts in the workplace.
- (h) **“Disability”** means your disability that has caused you to either (i) have qualified for long term disability payments under the Company's long term disability plan; or (ii) to have been unable to perform the essential functions of your position (with or without reasonable accommodation) with any Company Group member for at least 6 consecutive months.
- (i) **“GAAP”** means generally accepted accounting principles in the United States.
- (j) **“Group”** shall have the meaning as such term has under Section 13d-3 of the Securities Exchange Act of 1934, as amended, or any successor provision.
- (k) **“Intellectual Property Rights”** means any and all (i) copyrights and other rights associated with works of authorship throughout the world (ii) patents, patent disclosures and all rights to inventions whether patentable or not (iii) trade secrets and other confidential information (including Confidential Information defined herein) (iv) trademarks, trade names, domain names, and the goodwill associated therewith (v) all other intellectual and industrial property rights of every kind and nature however designated, whether arising out of operation of law, contract, license, or otherwise, and (vi) all registrations, applications, renewals, extensions, divisions, continuations or reissues thereof now or hereafter in effect.

- (l) **“Involuntarily Terminated Without Cause”** means (i) your employment is terminated by your employer at a time when your employer is not entitled to terminate your employment for Cause or (ii) in the event the entity that employs you is a direct or indirect subsidiary or other Affiliate of the Company (the **“Employing Entity”**), any transaction in which securities representing more than 50% of the voting power of the Employing Entity becoming Beneficially Owned by any Person or Persons other than the Company or one of its subsidiaries, whether via a transfer of such securities to such Person or Persons or via merger, consolidation or otherwise.
- (m) **“Qualified Retirement”** means any termination of your employment with the Company Group that occurs on or after your 60th birthday, at a time when no member of the Company Group is entitled to discharge you for Cause, so long as you have served the Company Group continuously for at least the five-year period immediately preceding that termination.
- (n) **“Section 16 Officer”** means an officer of the Company subject to Section 16 of the Securities Exchange Act of 1934, as amended.