BEST BUY CO INC
Form 10-Q
June 05, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 29, 2017
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	41-0907483
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7601 Penn Avenue South	
Richfield, Minnesota	55423
(Address of principal executive offices)	(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)
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 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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer x 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 x

The registrant had 304,962,371 shares of common stock outstanding as of June 1, 2017.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
$ in millions, except per share and share amounts (unaudited)

	April 29, 2017	January 28, 2017	April 30, 2016
Assets			
Current assets			
Cash and cash equivalents	$ 1,651	$ 2,240	$ 1,845
Short-term investments	1,948	1,681	1,220
Receivables, net	1,011	1,347	1,097
Merchandise inventories	4,637	4,864	4,719
Other current assets	409	384	401
Total current assets	9,656	10,516	9,282
Property and equipment, net	2,287	2,293	2,332
Goodwill	425	425	425
Other assets	587	622	831
Non-current assets held for sale	—	—	31
Total assets	$ 12,955	$ 13,856	$ 12,901
Liabilities and equity			
Current liabilities			
Accounts payable	$ 4,599	$ 4,984	$ 4,397
Unredeemed gift card liabilities	389	427	379
Deferred revenue	371	418	349
Accrued compensation and related expenses	274	358	277
Accrued liabilities	699	865	791
Accrued income taxes	93	26	97
Current portion of long-term debt	45	44	44
Total current liabilities	6,470	7,122	6,334
Long-term liabilities	684	704	807
Long-term debt	1,302	1,321	1,334
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 — 306,000,000, 311,000,000 and 324,000,000 shares, respectively	31	31	32
Retained earnings	4,202	4,399	4,078
Accumulated other comprehensive income	266	279	316
Total equity	4,499	4,709	4,426
Total liabilities and equity	$ 12,955	$ 13,856	$ 12,901

NOTE: The Consolidated Balance Sheet as of January 28, 2017, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2017	April 30, 2016
Revenue	$8,528	$8,443
Cost of goods sold	6,506	6,298
Gross profit	2,022	2,145
Selling, general and administrative expenses	1,722	1,744
Restructuring charges	—	29
Operating income	300	372
Other income (expense)		
Gain on sale of investments	—	2
Investment income and other	11	6
Interest expense	(19)	(20)
Earnings from continuing operations before income tax expense	292	360
Income tax expense	104	134
Net earnings from continuing operations	188	226
Gain from discontinued operations (Note 2), net of tax benefit of $- and $3, respectively	—	3
Net earnings	$188	$229
Basic earnings per share		
Continuing operations	$0.61	$0.70
Discontinued operations	—	0.01
Basic earnings per share	$0.61	$0.71
Diluted earnings per share		
Continuing operations	$0.60	$0.69
Discontinued operations	—	0.01
Diluted earnings per share	$0.60	$0.70
Dividends declared per common share	$0.34	$0.73
Weighted-average common shares outstanding		
Basic	309.2	323.6
Diluted	315.0	326.7

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2017	April 30, 2016
Net earnings	$ 188	$ 229
Foreign currency translation adjustments	(13)	45
Comprehensive income	$ 175	$ 274

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 29, 2017	April 30, 2016
Operating activities		
Net earnings	$188	$229
Adjustments to reconcile net earnings to total cash provided by operating activities:		
Depreciation	161	162
Restructuring charges	—	29
Stock-based compensation	31	31
Deferred income taxes	12	8
Other, net	(1)	(3)
Changes in operating assets and liabilities:		
Receivables	333	73
Merchandise inventories	223	365
Other assets	(25)	(30)
Accounts payable	(382)	(73)
Other liabilities	(364)	(211)
Income taxes	67	(88)
Total cash provided by operating activities	243	492
Investing activities		
Additions to property and equipment	(153)	(136)
Purchases of investments	(1,134)	(591)
Sales of investments	863	683
Other, net	1	4
Total cash used in investing activities	(423)	(40)
Financing activities		
Repurchase of common stock	(373)	(52)
Repayments of debt	(10)	(362)
Dividends paid	(105)	(238)
Issuance of common stock	75	21
Other, net	—	10
Total cash used in financing activities	(413)	(621)
Effect of exchange rate changes on cash	(6)	40
Decrease in cash, cash equivalents and restricted cash	(599)	(129)
Cash, cash equivalents and restricted cash at beginning of period	2,433	2,161
Cash, cash equivalents and restricted cash at end of period	$1,834	$2,032

See Notes to Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Change in Shareholders' Equity
$ and shares in millions, except per share amounts (unaudited)

	Common Shares	Common Stock	Prepaid Share Repurchase	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at January 28, 2017	311	$ 31	$ —	$ —	$4,399	$ 279	$4,709
Adoption of ASU 2016-09	—	—	—	10	(12)	—	(2)
Net earnings, three months ended April 29, 2017	—	—	—	—	188	—	188
Other comprehensive loss, net of tax:							
Foreign currency translation adjustments	—	—	—	—	—	(13)	(13)
Stock-based compensation	—	—	—	31	—	—	31
Restricted stock vested and stock options exercised	3	—	—	72	—	—	72
Issuance of common stock under employee stock purchase plan	—	—	—	3	—	—	3
Common stock dividends, $0.34 per share	—	—	—	—	(105)	—	(105)
Repurchase of common stock	(8)	—	—	(116)	(268)	—	(384)
Balances at April 29, 2017	306	$ 31	$ —	$ —	$4,202	$ 266	$4,499
Balances at January 30, 2016	324	$ 32	$ (55)	$ —	$4,130	$ 271	$4,378
Net earnings, three months ended April 30, 2016	—	—	—	—	229	—	229
Other comprehensive income, net of tax:							
Foreign currency translation adjustments	—	—	—	—	—	45	45
Stock-based compensation	—	—	—	31	—	—	31
Restricted stock vested and stock options exercised	3	1	—	17	—	—	18
Settlement of accelerated share repurchase	—	—	55	—	—	—	55
Issuance of common stock under employee stock purchase plan	—	—	—	3	—	—	3
Tax benefit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	—	6	—	—	6
Common stock dividends, $0.73 per share	—	—	—	—	(238)	—	(238)
Repurchase of common stock	(3)	(1)	—	(57)	(43)	—	(101)
Balances at April 30, 2016	324	$ 32	$ —	$ —	$4,078	$ 316	$4,426

See Notes to Condensed Consolidated Financial Statements.

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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 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 United States (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Historically, we have generated a higher proportion of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico. 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 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, 2017. The first three months of fiscal 2018 and fiscal 2017 included 13 weeks.

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one-month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our condensed consolidated financial statements. No such events were identified for the reported periods.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from April 30, 2017, through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

Unadopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. The new guidance establishes a single comprehensive model for entities to use in accounting for revenue and supersedes most current revenue recognition guidance. It introduces a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards under current guidance. It also requires significantly expanded disclosures regarding revenues.

Based on our analysis thus far, we believe the impact of adopting the new guidance will be immaterial to our annual and interim financial statements. We believe that the impact will be limited to minor changes to the timing of recognition of revenues related to gift cards and loyalty programs. We continue to assess the impact on all areas of our revenue recognition, disclosure requirements and changes that may be necessary to our internal controls over financial reporting.

We plan to adopt this standard in the first quarter of our fiscal 2019. Providing we ultimately conclude that the impacts of adoption are immaterial, we would expect to use the modified retrospective method. Under this method, we would recognize the cumulative effect of the changes in retained earnings at the date of adoption, but would not restate prior periods.

In February 2016, the FASB issued ASU 2016-02, Leases. The new guidance was issued to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements. Based on the effective dates, we expect to adopt the new guidance in the first quarter of fiscal 2020 using the modified retrospective method. While we expect adoption to lead to a material increase in the assets and liabilities recorded on our balance sheet and increase our footnote disclosures related to leases, we are still evaluating the impact on our consolidated statement of earnings. We also expect that adoption of the new standard will require changes to our internal controls over financial reporting.

Adopted Accounting Pronouncements

In the first quarter of fiscal 2018, we adopted the following ASUs:

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- ASU 2015-11, Inventory: Simplifying the Measurement of Inventory. The new guidance replaces the current inventory measurement requirement of lower of cost or market with the lower of cost or net realizable value. The adoption did not have a material impact on our results of operations, cash flows or financial position.

- ASU 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The new guidance changed certain aspects of accounting for share-based payments including accounting for income taxes, forfeitures and classifications in the statement of cash flows. Beginning with the first quarter of fiscal 2018, excess tax benefits and tax deficiencies are recognized in our provision for income taxes as a discrete event rather than directly to stockholders' equity. This change is adopted prospectively, with no change to prior periods. We recognized an excess tax benefit of $2 million for the first quarter ended April 29, 2017. In addition, with the adoption of this standard we elected to change our policy for accounting for forfeitures. Previously, we recorded forfeitures (which reduce stock-based compensation expense) based on forward-looking estimates. Beginning this quarter, we have elected to record forfeitures as they occur. The cumulative effect of this policy change amounted to $12 million, net of tax. This was recorded as a reduction of opening retained earnings. We elected to present the statements of cash flows on a retrospective transition method, and prior periods have been adjusted to present excess tax benefits as cash flows from operating activities. See cash flow reconciliation below for prior period impacts.

- ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, and ASU 2016-18, Statement of Cash Flows: Restricted Cash. ASU 2016-15 provides classification requirements for specific transactions within the statement of cash flows, while ASU 2016-18 requires that restricted cash balances be included in the beginning and ending cash balance within the statement of cash flows. The adoption increased our beginning and ending cash balance within our statement of cash flows, and we have provided a reconciliation of these amounts to the corresponding balance sheet captions, below. The adoption had no other material impacts to our cash flow statement and had no impact on our results of operations or financial position.

The following table reconciles the Condensed Consolidated Statement of Cash Flows line items impacted by the adoption of these standards at April 29, 2017:

	April 30, 2016 Reported	ASU 2016-09 Adjustment	ASU 2016-15 Adjustment	ASU 2016-18 Adjustment	April 30, 2016 Adjusted
Operating activities					
Other, net	$ (12)	$ 9	$ —	$ —	$ (3)
Total cash provided by operating activities	483	9	—	—	492
Investing activities					
Change in restricted assets	(2)	—	—	2	—
Total cash used in investing activities	(42)	—	—	2	(40)
Financing activities					
Other, net	19	(9)	—	—	10
Total cash used in financing activities	(612)	(9)	—	—	(621)
Decrease in cash, cash equivalents and restricted cash	(131)	—	—	2	(129)
Cash, cash equivalents and restricted cash at beginning of period	1,976	—	—	185	2,161
Cash, cash equivalents and restricted cash at end of period	$ 1,845	$ —	$ —	$ 187	$ 2,032

Total Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheet to the total shown in the Condensed Consolidated Statement of Cash Flows:

	April 29, 2017	January 28, 2017	April 30, 2016
Cash and cash equivalents	$1,651	$2,240	$1,845
Restricted cash included in Other current assets	183	193	187
Total cash, cash equivalents and restricted cash	$1,834	$2,433	$2,032

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Amounts included in restricted cash are pledged as collateral or restricted to use for general liability insurance and workers' compensation insurance.

2. Discontinued Operations

Discontinued operations are primarily comprised of Jiangsu Five Star Appliance Co., Limited ("Five Star") within our International segment. In February 2015, we completed the sale of Five Star and recognized a gain on sale of $99 million. Following the sale of Five Star, we continued to hold as available for sale one retail property in Shanghai, China. In May 2016, the second quarter of fiscal 2017, we completed the sale of the property and recognized a gain, net of income tax, of $16 million.

The aggregate financial results of discontinued operations were as follows ($ in millions):

	Three Months Ended April 29, 2017	April 30, 2016
Income tax benefit	—	3
Net gain from discontinued operations	$ —	$ 3

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 — Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management’s estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

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The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at April 29, 2017, January 28, 2017, and April 30, 2016, according to the valuation techniques we used to determine their fair values ($ in millions):

	Fair Value Hierarchy	Fair Value at April 29, 2017	January 28, 2017	April 30, 2016
ASSETS				
Cash and cash equivalents				
Money market funds	Level 1	$24	$ 290	$ 56
Commercial paper	Level 2	260	—	93
Time deposits	Level 2	11	15	454
Short-term investments				
Corporate bonds	Level 2	—	—	78
Commercial paper	Level 2	150	349	110
Time deposits	Level 2	1,798	1,332	1,032
Other current assets				
Money market funds	Level 1	2	7	—
Commercial paper	Level 2	60	60	—
Foreign currency derivative instruments	Level 2	7	2	—
Time deposits	Level 2	101	100	79
Other assets				
Interest rate swap derivative instruments	Level 2	4	13	15
Auction rate securities	Level 3	—	—	2
Marketable securities that fund deferred compensation	Level 1	97	96	96
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	Level 2	—	3	13
Long-term liabilities				
Interest rate swap derivative instruments	Level 2	1	—	—

There were no transfers between levels during the periods presented. During the third quarter of fiscal 2017, our remaining investments in auction rate securities ("ARS") were called at par, which resulted in proceeds of $2 million and no realized gain or loss. As of January 28, 2017, we had no items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3). For the three months ended April 29, 2017, and April 30, 2016, there were no changes in the beginning and ending balances of items measured at fair value on a recurring basis that used significant unobservable inputs (Level 3).

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money market funds. Our money market fund investments were measured at fair value as they trade in an active market using quoted market prices and, therefore, were classified as Level 1.

Commercial paper. Our investments in commercial paper were measured using inputs based upon quoted prices for similar instruments in active markets and, therefore, were classified as Level 2.

Time deposits. Our time deposits are balances held with banking institutions that cannot be withdrawn for specified terms without a penalty. Time deposits are held at face value plus accrued interest, which approximates fair value, and are classified as Level 2.

Corporate bonds. Our corporate bond investments were measured at fair value using quoted market prices. They were classified as Level 2 as they trade in a non-active market for which bond prices are readily available.

Foreign currency derivative instruments. Comprised primarily of foreign currency forward contracts and foreign currency swap contracts, our foreign currency derivative instruments were measured at fair value using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates. Our foreign currency derivative

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instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Interest rate swap derivative instruments. Our interest rate swap contracts were measured at fair value using readily observable inputs, such as the LIBOR interest rate. Our interest rate swap derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Auction rate securities. Our investments in ARS were classified as Level 3 as quoted prices were unavailable. Due to limited market information, we utilized a discounted cash flow ("DCF") model to derive an estimate of fair value. The assumptions we used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS.

Marketable securities that fund deferred compensation. The assets that fund our deferred compensation consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible fixed assets, goodwill and other intangible assets, which are remeasured when the derived fair value is below carrying value on our Condensed Consolidated Balance Sheets. For these assets, we do not periodically adjust carrying value to fair value, except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded within operating income in our Condensed Consolidated Statements of Earnings.

The following table summarizes the fair value remeasurements for non-restructuring and restructuring property and equipment impairments recorded during the three months ended April 29, 2017, and April 30, 2016 ($ in millions):

	Impairments		Remaining Net Carrying Value[(1)]	
	Three Months Ended			
	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016
Property and equipment (non-restructuring)	$ 5	$ 5	$ —	$ —
Property and equipment (restructuring)[(2)]	—	7	—	—
Total	$ 5	$ 12	$ —	$ —

(1) Remaining net carrying value approximates fair value. Because assets subject to long-lived asset impairment are not measured at fair value on a recurring basis, certain fair value measurements presented in the table may reflect values at earlier measurement dates and may no longer represent the fair values at April 29, 2017, and April 30, 2016.

(2) See Note 5, Restructuring Charges, for additional information.

All of the fair value remeasurements included in the table above were based on significant unobservable inputs (Level 3). Fixed asset fair values were derived using a DCF model to estimate the present value of net cash flows that the asset or asset group was expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate. In the case of assets for which the impairment was the result of restructuring activities, no future cash flows have been assumed as the assets will cease to be used and expected sale values are nominal.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, other investments, accounts payable, other payables and long-term debt. The fair values of cash, receivables, accounts payable and other payables approximated 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 fair value. See Note 6, Debt, for information about the fair value of our long-term debt.

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4. Goodwill and Intangible Assets

The carrying values of goodwill and indefinite-lived tradenames for the Domestic segment were $425 million and $18 million, respectively, at April 29, 2017, $425 million and $18 million, respectively, at January 28, 2017, and $425 million and $18 million, respectively, at April 30, 2016.

The following table provides the gross carrying amount of goodwill and cumulative goodwill impairment ($ in millions):

	April 29, 2017		January 28, 2017		April 30, 2016	
	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment	Gross Carrying Amount	Cumulative Impairment
Goodwill	$1,100	$ (675)	$1,100	$ (675)	$1,100	$ (675)

5. Restructuring Charges

Charges incurred in the three months ended April 29, 2017, and April 30, 2016, for our restructuring activities were as follows ($ in millions):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Renew Blue Phase 2	$ —	$ 27
Canadian brand consolidation	—	(1)
Renew Blue[1]	—	3
Other restructuring activities[2]	—	—
Total restructuring charges	$ —	$ 29

(1) Represents activity related to our remaining vacant space liability, primarily in our International segment, for our Renew Blue restructuring program, which began in the fourth quarter of fiscal 2013. We may continue to incur immaterial adjustments to the liability for changes in sublease assumptions or potential lease buyouts. In addition, lease payments for vacated stores will continue until leases expire or are terminated. The remaining vacant space liability was $8 million at April 29, 2017.

(2) Represents activity related to our remaining vacant space liability for U.S. large-format store closures in fiscal 2013. We may continue to incur immaterial adjustments to the liability for changes in sublease assumptions or potential lease buyouts. In addition, lease payments for vacated stores will continue until leases expire or are terminated. The remaining vacant space liability was $11 million at April 29, 2017.

Renew Blue Phase 2

In the first quarter of fiscal 2017, we took several strategic actions to eliminate and simplify certain components of our operations and restructure certain field and corporate teams as part of our Renew Blue Phase 2 plan. No charges were incurred in the first quarter of fiscal 2018, while in the first quarter of fiscal 2017, we incurred $27 million of charges, which primarily consisted of employee termination benefits and property and equipment impairments.

All restructuring charges related to this plan are from continuing operations and are presented in Restructuring charges in our Condensed Consolidated Statements of Earnings.

The composition of the restructuring charges we incurred for Renew Blue Phase 2 during the three months ended April 29, 2017, and April 30, 2016, as well as the cumulative amount incurred through April 29, 2017, was as follows ($ in millions):

	Domestic Three Months Ended April 29, 2017	April 30, 2016	Cumulative Amount
Property and equipment impairments	$ —	$ 7	$ 8
Termination benefits	—	20	18
Total Renew Blue Phase 2 restructuring charges	$ —	$ 27	$ 26

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As of April 29, 2017, and January 28, 2017, there was no restructuring accrual balance. The restructuring accrual activity related to termination benefits was as follows for the three months ended April 30, 2016 ($ in millions):

	Termination Benefits
Balances at January 30, 2016	$ —
Charges	19
Cash payments	(4)
Balances at April 30, 2016	$ 15

Canadian Brand Consolidation

In the first quarter of fiscal 2016, we consolidated the Future Shop and Best Buy stores and websites in Canada under the Best Buy brand. This resulted in the permanent closure of 66 Future Shop stores and the conversion of the remaining 65 Future Shop stores to the Best Buy brand.

The composition of total restructuring charges we incurred for the Canadian brand consolidation in the three months ended April 29, 2017, and April 30, 2016, as well as the cumulative amount incurred through April 29, 2017, was as follows ($ in millions):

	Three Months Ended April 29, 2017	Three Months Ended April 30, 2016	Cumulative Amount
Inventory write-downs	$ —	$ —	$ 3
Property and equipment impairments	—	—	30
Tradename impairment	—	—	40
Termination benefits	—	—	25
Facility closure and other costs	—	(1)	105
Total Canadian brand consolidation restructuring charges	$ —	$ (1)	$ 203

The following tables summarize our restructuring accrual activity during the three months ended April 29, 2017, and April 30, 2016, related to termination benefits and facility closure and other costs associated with the Canadian brand consolidation ($ in millions):

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at January 28, 2017	$ —	$ 34	$ 34
Cash payments	—	(6)	(6)
Changes in foreign currency exchange rates	—	(1)	(1)
Balances at April 29, 2017	$ —	$ 27	$ 27

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at January 30, 2016	$ 2	$ 64	$ 66
Cash payments	(1)	(11)	(12)
Adjustments[(1)]	—	(1)	(1)
Changes in foreign currency exchange rates	—	6	6
Balances at April 30, 2016	$ 1	$ 58	$ 59

(1)

Adjustments to facility closure and other costs represent changes in sublease assumptions. Adjustments to termination benefits represent changes in retention assumptions.

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6. Debt

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

	April 29, 2017	January 28, 2017	April 30, 2016
2018 Notes	$ 500	$ 500	$ 500
2021 Notes	650	650	650
Interest rate swap valuation adjustments	3	13	15
Subtotal	1,153	1,163	1,165
Debt discounts and issuance costs	(4)	(5)	(6)
Financing lease obligations	171	177	184
Capital lease obligations	27	30	35
Total long-term debt	1,347	1,365	1,378
Less: current portion	(45)	(44)	(44)
Total long-term debt, less current portion	$ 1,302	$ 1,321	$ 1,334

The fair value of total long-term debt, excluding debt discounts and issuance costs and financing and capital lease obligations, approximated $1,229 million, $1,240 million and $1,249 million at April 29, 2017, January 28, 2017, and April 30, 2016, respectively, based primarily on the market prices quoted from external sources, compared with carrying values of $1,153 million, $1,163 million and $1,165 million, respectively. If long-term debt was measured at fair value in the financial statements, it would be classified primarily as Level 2 in the fair value hierarchy.

See Note 5, Debt, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for additional information regarding the terms of our debt facilities, debt instruments and other obligations.

7. Derivative Instruments

We manage our economic and transaction exposure to certain risks through the use of foreign currency and interest rate swap derivative instruments. Our objective in holding derivatives is to reduce the volatility of net earnings, cash flows and net asset value associated with changes in foreign currency exchange rates and interest rates. We do not hold derivative instruments for trading or speculative purposes. We have no derivatives that have credit risk-related contingent features, and we mitigate our credit risk by engaging with major financial institutions as our counterparties.

We record all derivative instruments on our Condensed Consolidated Balance Sheets at fair value and evaluate hedge effectiveness prospectively and retrospectively when electing to apply hedge accounting. We formally document all hedging relations at inception for derivative hedges and the underlying hedged items, as well as the risk management objectives and strategies for undertaking the hedge transaction. In addition, we have derivatives which are not designated as hedging instruments.

Net Investment Hedges

We use 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. The contracts have terms up to 12 months. For a net investment hedge, we recognize changes in the fair value of the derivative as a component of foreign currency translation within other comprehensive income to offset a portion of the change in translated value of the net investment being hedged, until the investment is sold or liquidated. We limit recognition in net earnings of amounts previously recorded in other comprehensive income to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. We report the ineffective portion of the gain or loss, if any, in net earnings.

Interest Rate Swaps

We use "receive fixed-rate, pay variable-rate" interest rate swaps to mitigate the effect of interest rate fluctuations on our 2018 Notes and a portion of our 2021 Notes. Our interest rate swap contracts are considered perfect hedges because the critical terms and notional amounts match those of our fixed-rate debt being hedged and are, therefore, accounted as fair value hedges using the shortcut method. Under the shortcut method, we recognize the change in the fair value of the derivatives with an offsetting

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change to the carrying value of the debt. Accordingly, there is no impact on our Condensed Consolidated Statements of Earnings from the fair value of the derivatives.

Derivatives Not Designated as Hedging Instruments

We use foreign currency forward contracts to manage the impact of fluctuations in foreign currency exchange rates relative to recognized receivable and payable balances denominated in non-functional currencies and on certain forecast inventory purchases denominated in non-functional currencies. The contracts generally have terms of up to 12 months. These derivative instruments are not designated as hedging relationships, and, therefore, we record gains and losses on these contracts directly to net earnings.

Summary of Derivative Balances

The following table presents the gross fair values for outstanding derivative instruments and the corresponding classification at April 29, 2017, January 28, 2017, and April 30, 2016 ($ in millions):

	April 29, 2017		January 28, 2017		April 30, 2016	
Contract Type	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives designated as net investment hedges[(1)]	$ 6	$ —	$ 2	$ 2	$ —	$ 11
Derivatives designated as interest rate swaps[(2)]	4	1	13	—	15	—
No hedge designation (foreign exchange forward contracts)[(1)]	1	—	—	1	—	2
Total	$ 11	$ 1	$ 15	$ 3	$ 15	$ 13

(1) The fair value is recorded in Other current assets or Accrued liabilities.
(2) The fair value is recorded in Other assets or Long-term liabilities.

The following table presents the effects of derivative instruments on other comprehensive income ("OCI") and on our Condensed Consolidated Statements of Earnings for the three months ended April 29, 2017, and April 30, 2016 ($ in millions):

	Three Months Ended			
	April 29, 2017		April 30, 2016	
Contract Type	Pre-tax Gain Recognized in OCI	Gain(Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion)	Pre-tax Loss Recognized in OCI	Gain(Loss) Reclassified from Accumulated OCI to Earnings (Effective Portion)
Derivatives designated as net investment hedges	$ 8	$ —	$ (22)	$ —

The following tables present the effects of derivative instruments on our Condensed Consolidated Statements of Earnings for the three months ended April 29, 2017, and April 30, 2016 ($ in millions):

	Gain (Loss) Recognized within SG&A Three Months Ended	
Contract Type	April 29, 2017	April 30, 2016
No hedge designation (foreign exchange forward contracts)	$ 1	$ (5)

Contract Type	Gain (Loss) Recognized within Interest expense Three Months Ended April 29, 2017	April 30, 2016
Interest rate swap loss	$(10)	$ (10)
Adjustments to carrying value of long-term debt	10	10
Net impact	$—	$ —

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The following table presents the notional amounts of our derivative instruments at April 29, 2017, January 28, 2017, and April 30, 2016 ($ in millions):

	Notional Amount		
Contract Type	April 29, 2017	January 28, 2017	April 30, 2016
Derivatives designated as net investment hedges	$ 206	$ 205	$ 204
Derivatives designated as interest rate swaps	825	750	750
No hedge designation (foreign exchange forward contracts)	36	43	95
Total	$ 1,067	$ 998	$ 1,049

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. Potentially dilutive securities include stock options, nonvested share awards and shares issuable under our employee stock purchase plan. Nonvested market-based share awards and nonvested performance-based share awards are included in the average diluted shares outstanding for each period if established market or performance criteria have been met at the end of the respective periods.

The following table presents a reconciliation of the numerators and denominators of basic and diluted earnings per share from continuing operations for the three months ended April 29, 2017, and April 30, 2016 ($ and shares in millions, except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Numerator		
Net earnings from continuing operations	$ 188	$ 226
Denominator		
Weighted-average common shares outstanding	309.2	323.6
Effect of potentially dilutive securities:		
Dilutive effect of stock compensation plan awards	5.8	3.1
Weighted-average common shares outstanding, assuming dilution	315.0	326.7
Net earnings per share from continuing operations		
Basic	$ 0.61	$ 0.70
Diluted	$ 0.60	$ 0.69

The computation of weighted-average common shares outstanding, assuming dilution, excluded options to purchase 0.7 million and 9.1 million shares of common stock for the three months ended April 29, 2017, and April 30, 2016, respectively. These amounts were excluded as the options' exercise prices were greater than the average market price of our common stock for the periods presented, and, therefore, the effect would be anti-dilutive (i.e., including such options would result in higher earnings per share).

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9. Comprehensive Income

The following tables provide a reconciliation of the components of accumulated other comprehensive income, net of tax, attributable to Best Buy Co., Inc. for the three months ended April 29, 2017, and April 30, 2016 ($ in millions):

	Foreign Currency Translation
Balances at January 28, 2017	$ 279
Foreign currency translation adjustments	(13)
Balances at April 29, 2017	$ 266

	Foreign Currency Translation
Balances at January 30, 2016	$ 271
Foreign currency translation adjustments	45
Balances at April 30, 2016	$ 316

The gains and losses on our net investment hedges, which are included in foreign currency translation adjustments, were not material for the periods presented. There is generally no tax impact related to foreign currency translation adjustments, as the earnings are considered permanently reinvested.

10. Repurchase of Common Stock

Our Board of Directors authorized a $5 billion share repurchase program in February 2017. The program, which became effective on February 27, 2017, terminated and replaced a $5 billion share repurchase program authorized by our Board of Directors in June 2011. There is no expiration governing the period over which we can make our share repurchases under the February 2017 $5 billion share repurchase program.

The following table presents information regarding the shares we repurchased during the three months ended April 29, 2017, and April 30, 2016 ($ and shares in millions, except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Total cost of shares repurchased		
Open market[(1)]	$384	$ 56
Settlement of January 2016 ASR[(2)]	—	45
Total	$384	$ 101
Average price per share		
Open market	$46.3	$ 32.41
Settlement of January 2016 ASR[(2)]	$—	$ 28.55
Average	$46.3	$ 30.55
Number of shares repurchased and retired		
Open market[(1)]	8.3	1.7
Settlement of January 2016 ASR[(2)]	—	1.6
Total	8.3	3.3

(1) As of April 29, 2017, $19 million, or 0.3 million shares, in trades remained unsettled. As of April 30, 2016, $4 million, or 0.1 million shares, in trades remained unsettled. The liability for unsettled trades is included in Accrued liabilities in the Condensed Consolidated Balance Sheets.

(2) See Note 7, Shareholders' Equity, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for additional information regarding the January 2016 ASR.

For the three months ended April 29, 2017, we purchased and retired 0.9 million shares at a cost of $38 million under our June 2011 share repurchase program, and 7.4 million shares at a cost of $346 million under our February 2017 share repurchase program. Approximately $4.7 billion remained available for additional purchases under the February 2017 share repurchase program as of April 29, 2017. Repurchased shares are retired and constitute authorized but unissued shares.

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11. Segments

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our business is organized into two segments: Domestic (which is comprised of all operations within the U.S. and its districts and territories) and International (which is comprised of all operations outside the U.S. and its territories). Our CODM has ultimate responsibility for enterprise decisions. Our CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, the Domestic segment and the International segment. The Domestic segment managers and International segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. Our CODM relies on internal management reporting that analyzes enterprise results to the net earnings level and segment results to the operating income level.

We aggregate our Canada and Mexico businesses into one International operating segment. Our Domestic and International operating segments also represent our reportable segments. The accounting policies of the segments are the same as those described in Note 1, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

Revenue by reportable segment was as follows ($ in millions):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Domestic	$7,912	$ 7,829
International	616	614
Total revenue	$8,528	$ 8,443

Operating income by reportable segment and the reconciliation to earnings from continuing operations before income tax expense were as follows ($ in millions):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Domestic	$298	$ 372
International	2	—
Total operating income	300	372
Other income (expense)		
Gain on sale of investments	—	2
Investment income and other	11	6
Interest expense	(19)	(20)
Earnings from continuing operations before income tax expense	$292	$ 360

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

	April 29, 2017	January 28, 2017	April 30, 2016
Domestic	$11,691	$ 12,496	$11,562
International	1,264	1,360	1,339
Total assets	$12,955	$ 13,856	$12,901

12. Contingencies

We are involved in a number of legal proceedings. Where appropriate, we have made accruals with respect to these matters, which are reflected in 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.

Securities Actions

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In February 2011, a purported class action lawsuit captioned, IBEW Local 98 Pension Fund, individually and on behalf of all others similarly situated v. Best Buy Co., Inc., et al., was filed against us and certain of our executive officers in the U.S. District Court for the District of Minnesota. This federal court action alleges, among other things, that we and the officers named in the complaint violated Sections 10(b) and 20A of the Exchange Act and Rule 10b-5 under the Exchange Act in connection with press releases and other statements relating to our fiscal 2011 earnings guidance that had been made available to the public. Additionally, in March 2011, a similar purported class action was filed by a single shareholder, Rene LeBlanc, against us and certain of our executive officers in the same court. In July 2011, after consolidation of the IBEW Local 98 Pension Fund and Rene LeBlanc actions, a consolidated complaint captioned, IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al., was filed and served. We filed a motion to dismiss the consolidated complaint in September 2011, and in March 2012, subsequent to the end of fiscal 2012, the court issued a decision dismissing the action with prejudice. In April 2012, the plaintiffs filed a motion to alter or amend the court's decision on our motion to dismiss. In October 2012, the court granted plaintiff's motion to alter or amend the court's decision on our motion to dismiss in part by vacating such decision and giving plaintiff leave to file an amended complaint, which plaintiff did in October 2012. We filed a motion to dismiss the amended complaint in November 2012 and all responsive pleadings were filed in December 2012. A hearing was held on April 26, 2013. On August 5, 2013, the court issued an order granting our motion to dismiss in part and, contrary to its March 2012 order, denying the motion to dismiss in part, holding that certain of the statements alleged to have been made were not forward-looking statements and therefore were not subject to the “safe-harbor” provisions of the Private Securities Litigation Reform Act. Plaintiffs moved to certify the purported class. By Order filed August 6, 2014, the court certified a class of persons or entities who acquired Best Buy common stock between 10:00 a.m. EDT on September 14, 2010, and December 13, 2010, and who were damaged by the alleged violations of law. The 8th Circuit Court of Appeals granted our request for interlocutory appeal. On April 12, 2016, the 8th Circuit held the trial court misapplied the law and reversed the class certification order. IBEW petitioned the 8th Circuit for a rehearing en banc, which was denied on June 1, 2016. In October 2016, IBEW advised the trial court it will not seek review by the Supreme Court. The trial court has set a January 2017 conference to discuss next steps. We continue to believe that these allegations are without merit and intend to vigorously defend our company in this matter.

In June 2011, a purported shareholder derivative action captioned, Salvatore M. Talluto, Derivatively and on Behalf of Best Buy Co., Inc. v. Richard M. Schulze, et al., as Defendants and Best Buy Co., Inc. as Nominal Defendant, was filed against both present and former members of our Board of Directors serving during the relevant periods in fiscal 2011 and us as a nominal defendant in the U.S. District Court for the State of Minnesota. The lawsuit alleges that the director defendants breached their fiduciary duty, among other claims, including violation of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in failing to correct public misrepresentations and material misstatements and/or omissions regarding our fiscal 2011 earnings projections and, for certain directors, selling stock while in possession of material adverse non-public information. Additionally, in July 2011, a similar purported class action was filed by a single shareholder, Daniel Himmel, against us and certain of our executive officers in the same court. In November 2011, the respective lawsuits of Salvatore M. Talluto and Daniel Himmel were consolidated into a new action captioned, In Re: Best Buy Co., Inc. Shareholder Derivative Litigation, and a stay ordered pending the close of discovery in the consolidated IBEW Local 98 Pension Fund v. Best Buy Co., Inc., et al. case. Additionally, in June 2015, a similar purported class action was filed by a single shareholder, Khuong Tran, derivatively on behalf of Best Buy Co., Inc. against us and certain of our executive officers and directors in the same court. The Khuong Tran lawsuit has also been stayed pending the close of discovery in IBEW.

The plaintiffs in the above securities actions seek damages, including interest, equitable relief and reimbursement of the costs and expenses they incurred in the lawsuits. As stated above, we believe the allegations in the above securities actions are without merit, and we intend to defend these actions vigorously. Based on our assessment of the facts underlying the claims in the above securities actions, their respective procedural litigation history and the degree to which we intend to defend our company in these matters, the amount or range of reasonably possible losses, if any, cannot be estimated.

Other Legal Proceedings

We are involved in various other legal proceedings arising in the normal course of conducting business. For such legal proceedings, we have accrued an amount that reflects the aggregate liability deemed probable and estimable, but this amount is not material to our consolidated financial position, results of operations or cash flows. Because of the preliminary nature of many of these proceedings, the difficulty in ascertaining the applicable facts relating to many of these proceedings, the variable treatment of claims made in many of these proceedings and the difficulty of predicting the settlement value of many of these proceedings, we are not able to estimate an amount or range of any reasonably possible additional losses. However, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations or cash flows.

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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” in the following 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 is presented in eight sections:

- Overview
- Business Strategy Update
- Best Buy 2020: Building the New Blue
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance-Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates
- New Accounting Pronouncements
- Safe Harbor Statement Under the Private Securities Litigation Reform Act

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 (including the information presented therein under Risk Factors), as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

We are a leading provider of technology products, services and solutions. We offer these products and services to customers who visit our stores, engage with Geek Squad agents or use our websites or mobile applications. We have operations in the U.S., Canada and Mexico. We operate two reportable segments: Domestic and International. The Domestic segment is comprised of all operations within the U.S. and its districts and territories. The International segment is comprised of all operations outside the U.S. and its territories.

Our fiscal year ends on the Saturday nearest the end of January. Fiscal 2018 will include 53 weeks with the additional week included in the fourth quarter and fiscal 2017 included 52 weeks. Our business, like that of many retailers, is seasonal. A higher proportion of our revenue and earnings is generated in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico ("Holiday").

Comparable Sales

Throughout this MD&A, we refer to comparable sales. Our comparable sales calculation compares revenue from stores, websites and call centers operating for at least 14 full months, as well as revenue related to certain other comparable sales channels for a particular period to the corresponding period in the prior year. Relocated stores, as well as remodeled, expanded and downsized stores closed more than 14 days, are excluded from the comparable sales calculation until at least 14 full months after reopening. Acquisitions are included in the comparable sales calculation beginning with the first full quarter following the first anniversary of the date of the acquisition. The calculation of comparable sales excludes the impact of revenue from discontinued operations and the effect of fluctuations in foreign currency exchange rates (applicable to our International segment only). 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.

The Canadian brand consolidation, which included the permanent closure of 66 Future Shop stores, the conversion of 65 Future Shop stores to Best Buy stores and the elimination of the Future Shop website, had a material impact on a year-over-year basis on the remaining Canadian retail stores and the website. As such, from the first quarter of fiscal 2016 through the third quarter of fiscal 2017, all Canadian store and website revenue was removed from the comparable sales base and the International segment no longer had a comparable sales metric. Therefore, Consolidated comparable sales for the first quarter of fiscal 2016 through the third quarter of fiscal 2017 equaled the Domestic segment comparable sales. Beginning in the fourth quarter of fiscal 2017, we resumed reporting International comparable sales as revenue in the International segment was once again

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deemed to be comparable and, as such, Consolidated comparable sales are once again equal to the aggregation of Domestic and International comparable sales.

Non-GAAP Financial Measures

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), as well as certain adjusted or non-GAAP financial measures such as constant currency, non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings from continuing operations, non-GAAP diluted earnings per share ("EPS") from continuing operations and non-GAAP debt to earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") ratio. We believe that non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide more information to assist investors in evaluating current period performance and in assessing future performance. For these reasons, our internal management reporting also includes non-GAAP measures. Generally, our non-GAAP measures include adjustments for items such as restructuring charges, goodwill impairments and gains or losses on investments. In addition, certain other items may be excluded from non-GAAP financial measures when we believe this provides greater clarity to management and our investors. 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 measures as presented herein may not be comparable to similarly titled measures used by other companies.

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 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 and our inability to report comparable store sales for the International segment from the first quarter of fiscal 2016 through the third quarter of fiscal 2017 as a result of the Canadian brand consolidation.

Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial metrics. When we began to execute our Renew Blue transformation in the fourth quarter of fiscal 2013, we adopted a change to non-GAAP reporting to exclude non-restructuring property and equipment impairment charges from our non-GAAP results. From that point, through the fourth quarter of fiscal 2017, we believed that reporting non-GAAP results that excluded these charges provided a supplemental view of our ongoing performance that was useful and relevant to our investors. Now that Renew Blue has ended and Best Buy 2020: Building The New Blue has officially launched, we believe it is no longer necessary to adjust for non-restructuring property and equipment impairments in our non-GAAP reporting. We believe that future such impairments will predominantly be immaterial and incurred in the ordinary scope of ongoing operations. Accordingly, commencing in the first quarter of fiscal 2018, we no longer plan to adjust for non-restructuring property and equipment impairments. Impacted prior period non-GAAP financial measures will be recast to conform with this presentation.

Refer to the Non-GAAP Financial Measures section below for the detailed reconciliation of items that impacted the non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings from continuing operations and non-GAAP diluted EPS from continuing operations in the presented periods.

Refer to the Other Financial Measures section below for the detailed reconciliation of items that impacted the non-GAAP debt to EBITDAR ratio. Management believes this ratio is an important indicator of our creditworthiness. Furthermore, we believe that our non-GAAP debt to EBITDAR ratio is important for understanding our financial position and provides meaningful additional information about our ability to service our long-term debt and other fixed obligations and to fund our future growth. We also believe our non-GAAP debt to EBITDAR ratio is relevant because it enables investors to compare our indebtedness to that of retailers who own, rather than lease, their stores. Our decision to own or lease real estate is based on an assessment of our financial liquidity, our capital structure, our desire to own or to lease the location, the owner’s desire to own or to lease the location and the alternative that results in the highest return to our shareholders.

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Business Strategy Update

Our first quarter of fiscal 2018 delivered strong top and bottom line results, with consolidated comparable sales growth of 1.6%.

Domestic segment comparable sales grew by 1.4%, driven by strength in computing, connected home and gaming, partially offset by continued softness in tablets. We also continued to drive significant growth in the online channel with our Domestic segment online comparable sales increasing 22.5% in the first quarter of fiscal 2018 driven by conversion and traffic. Our Domestic segment online revenue was 12.9% of total Domestic segment revenue in the first quarter of fiscal 2018 compared to 10.6% in the first quarter of fiscal 2017.

In the International segment, we delivered a 4.0% comparable sales increase in the first quarter of fiscal 2018 driven by continued growth of online revenue in Canada and Mexico and positive sales lifts associated with the Canadian store redesigns.

Best Buy 2020: Building the New Blue

In our most recent Annual Report, we introduced Best Buy 2020: Building the New Blue, which is focused on shaping our future and creating a company that customers and employees love and that generates a return for our shareholders.

As part of this new strategy, we outlined four priorities that we are pursuing during fiscal 2018. While it is early in our fiscal year, the below highlights our progress thus far.

1. Explore and pursue growth opportunities around maximizing the multi-channel retail business and providing services and solutions that solve real customer needs and help us build deeper customer relationships.

We are continuing to expand several of the new concepts we have been testing related to services and solutions. On May 4, 2017, we publicly announced our plan to offer a new service, Best Buy Smart Home, powered by Vivint, in more than 400 stores by Holiday. Guided by in-store experts, customers select from a suite of leading smart home products - including smart locks, lights, cameras, thermostats and more - and get expert installation, app-based system control and a 24/7 professional monitoring service.

Also in the smart home area, we are curating new product categories across the home. For example, in the first quarter we launched a new Smart Nursery assortment. More broadly, we are very focused on the Smart Home as a key part of our Best Buy 2020 strategy, and we will continue to enhance this category across our stores and websites this year.

We also expanded the test of our new approach to technical support. Last year in Canada we began testing a new service offering that provides 24/7 support for all of the technology products a customer owns, regardless of whether they were bought at Best Buy. It also includes other valuable benefits like discounts on installation services and warranty programs. We expanded that pilot to additional markets in Canada and we are now piloting a version of the program in two U.S. markets.

We expanded the pilot of our in-home advisor program to another major U.S. market. We are currently operating in Atlanta, Austin, Orlando, San Antonio and Washington, D.C. We are now planning to expand the program nationwide later this year.

We continue to drive digital innovation, which is crucial to the success of Best Buy 2020. In the first quarter, our Domestic online revenue reached $1.0 billion for the first time in a non-Holiday quarter. We are pleased with our progress and believe there are plenty of opportunities to more effectively help our customers in their shopping journey.

We are pursuing growth around key product categories by refining how we sell, including around (1) emerging product categories like connected home; (2) appliances where we believe we can continue to grow share and revenue; and (3) mobile. As it relates to mobile, we recently launched an initiative focused on improving the multi-channel shopping experience for mobile phones. The smartphone industry has significantly changed over the past few years especially with installment billing plans, unlimited data plans and the proliferation of pre-paid and unlocked devices. This can make shopping for a smartphone confusing and complicated. In response to this changing landscape, we are improving the experience on BestBuy.com and revamping the mobile departments in many of our stores to create a better, easier, more seamless shopping experience for customers. For the new phone launch in April 2017, for example, we simplified the buying experience and provided clarity of carrier offers and ease of phone selection and saw strong pre-orders in this iconic phone launch. This initiative will include other enhancements such as improvements to the phone

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activation process, the addition of more specially trained mobile associates and enhanced displays. This work will impact several hundred of our stores by the end of the third quarter of fiscal 2018.

2. Improve our execution in key areas that support our growth strategy.

In our stores, we are very focused on continuing to improve our sales effectiveness. We are doing this by (1) providing systematic coaching, training and certification; (2) increasing tenure in our store leadership roles; and (3) lowering associate turnover. These things are resulting in ongoing NPS improvements related to associate knowledge.

We are also investing in large product fulfillment to both support business growth and materially improve the customer experience. For example, we are collaborating more closely with our vendors to improve inventory availability and in-stock levels, and we are optimizing our supply chain process capabilities through standardization and training. Additionally, we are selectively adding distribution center capacity to support business growth and to get products closer to the customer.

A third area of focus from an execution standpoint is to reduce our exposure to excess and obsolete inventories while improving our recovery rates. By more proactively planning product transitions and better managing clearance pricing across sales channels, we materially improved our at-risk inventory position in the first quarter of fiscal 2018 versus the same period in the prior year, allowing us to re-invest those dollars into the new inventory our customers want.

3. Continue to reduce costs and drive efficiencies through the business.

In the first quarter of fiscal 2018, we achieved another $50 million in annual cost reductions and gross profit optimization. We have now reached our $400 million target - three fiscal quarters ahead of our original deadline.

In our May 25, 2017, earnings conference call, we announced a new target of $600 million in additional cost reduction and gross profit optimization to be completed by the end of our fiscal 2021. We believe we continue to have significant opportunities to reduce cost, in particular, through the use of a continuous improvement approach, working cross-functionally to re-engineer and pull cost out of complex processes. Consistent with the $400 million plan we just completed, we expect to use these cost reductions to fund investments and to offset ongoing pressures in our business.

4. Build the capabilities necessary to deliver on the first three priorities, which will involve making investments in people and systems to drive growth, execution and efficiencies.

We have been investing in labor expertise across our sales associates and our Geek Squad agents. We are also in the process of implementing our new warehouse management system and are beginning to improve our customer relationship management capabilities, starting with our in-home advisors.

In summary, we began fiscal 2018 with a strong start and we are energized about our opportunities and the strategy we are pursuing. We believe we are uniquely positioned to help our customers in a meaningful way with our combination of multi-channel assets - including our online, store and in-home capabilities.

Results of Operations

In order to align our fiscal reporting periods and comply with statutory filing requirements, we consolidate the financial results of our Mexico operations on a one-month lag. Consistent with such consolidation, the financial and non-financial information presented in our MD&A relative to these operations is also presented on a lag. Our policy is to accelerate the recording of events occurring in the lag period that significantly affect our consolidated financial statements. No such events were identified for the periods presented.

The results of Jiangsu Five Star Appliance Co., Limited ("Five Star"), in our International segment, are presented as discontinued operations in our Condensed Consolidated Statements of Earnings. Unless otherwise stated, financial results discussed herein refer to continuing operations.

Consolidated Performance Summary

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The following table presents selected consolidated financial data ($ in millions, except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Revenue	$8,528	$8,443
Revenue % gain (decline)	1.0 %	(1.3)%
Comparable sales % gain (decline)[1]	1.6 %	(0.1)%
Gross profit	$2,022	$2,145
Gross profit as a % of revenue[2]	23.7 %	25.4 %
SG&A	$1,722	$1,744
SG&A as a % of revenue[2]	20.2 %	20.7 %
Restructuring charges	$—	$29
Operating income	$300	$372
Operating income as a % of revenue	3.5 %	4.4 %
Net earnings from continuing operations	$188	$226
Earnings from discontinued operations	$—	$3
Net earnings	$188	$229
Diluted earnings per share from continuing operations	$0.60	$0.69
Diluted earnings per share	$0.60	$0.70

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, Consolidated comparable sales for the three months ended April 30, 2016, equal the Domestic segment comparable sales. Refer to the Overview section within this Item 2. MD&A for more information.

(2) Because retailers vary in how they record costs of operating their supply chain between cost of goods sold 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 goods sold and SG&A, refer to Note 1, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

The components of the 1.0% revenue increase for the first quarter of fiscal 2018 were as follows:

	Three Months Ended April 29, 2017
Comparable sales impact	1.5 %
Non-comparable sales[1]	(0.4)%
Impact of foreign currency exchange rate fluctuations	(0.1)%
Total revenue increase	1.0 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable.

The gross profit rate decreased by 1.7% of revenue in the first quarter of fiscal 2018 compared to the first quarter of fiscal 2017. Our Domestic segment drove a rate decrease of 1.6% of revenue, while our International segment declined 0.1%. For further discussion of each segment's gross profit rate changes, see Segment Performance Summary below.

The SG&A rate decreased by 0.5% of revenue in the first quarter of fiscal 2018 compared to the first quarter of fiscal 2017. Our Domestic segment rate decreased by 0.4% of revenue, while our International segment declined 0.1%. For further discussion of each segment’s SG&A rate changes, see Segment Performance Summary below.

Our operating income rate decreased to 3.5% of revenue in the first quarter of fiscal 2018, compared to 4.4% of revenue the first quarter of fiscal 2017. The decrease in operating income was primarily due to the decrease in our Domestic segment gross profit rate partially offset by a decrease in our Domestic segment restructuring charges. For further discussion of each segment's operating income, see Segment Performance Summary below.

Income Tax Expense

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Income tax expense decreased to $104 million in the first quarter of fiscal 2018 compared to $134 million in the prior-year period, primarily as a result of a decrease in pre-tax earnings. Our effective income tax rate in the first quarter of fiscal 2018 was 35.6% compared to a rate of 37.3% in the first quarter of fiscal 2017. The decrease in the effective income tax rate was primarily due to the recognition of excess tax benefits related to stock-based compensation (as discussed below), a higher mix of forecast taxable income from foreign operations and the resolution of certain tax matters in the current year period.

In the first quarter of fiscal 2018, the company adopted Accounting Standards Update ("ASU") 2016-09, Compensation-Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which now requires all differences between the tax value and the book value for stock-based compensation to be recognized as either income tax expense or benefit as the shares vest or options are exercised or cancelled. The impact of this change on the first quarter of fiscal 2018 was a benefit of approximately $2 million.

Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. We update our estimate of the annual effective tax rate 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 effective tax rate 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, changes in laws or regulations and expenses or losses for which tax benefits are not recognized. Our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible losses on our effective tax rate is greater when our pre-tax income is lower.

In addition, our consolidated effective tax rate is impacted by the statutory income tax rates applicable to each of the jurisdictions in which we operate. As our foreign earnings are generally taxed at lower statutory rates than the 35% U.S. statutory rate, changes in the proportion of our consolidated taxable earnings originating in foreign jurisdictions impact our consolidated effective rate. Our foreign earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax.

Segment Performance Summary

Domestic

The following table presents selected financial data for the Domestic segment ($ in millions):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Revenue	$7,912	$7,829
Revenue % gain (decline)	1.1 %	(0.8)%
Comparable sales % gain (decline)(1)	1.4 %	(0.1)%
Gross profit	$1,871	$1,986
Gross profit as a % of revenue	23.6 %	25.4 %
SG&A	$1,573	$1,587
SG&A as a % of revenue	19.9 %	20.3 %
Restructuring charges	$—	$27
Operating income	$298	$372
Operating income as a % of revenue	3.8 %	4.8 %

Selected Online Revenue Data		
Online revenue as a % of total segment revenue	12.9 %	10.6 %
Comparable online sales % gain[1]	22.5 %	23.9 %

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

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The components of our Domestic segment's 1.1% revenue increase for the first quarter of fiscal 2018 were as follows:

	Three Months Ended April 29, 2017
Comparable sales impact	1.4 %
Non-comparable sales[(1)]	(0.3)%
Total revenue increase	1.1 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers, as applicable.

The increase in the first quarter of fiscal 2018 Domestic segment revenue was driven by comparable sales growth of 1.4%, partially offset by the loss of revenue from Best Buy and Best Buy Mobile store closures. Domestic segment online revenue of $1.0 billion increased 22.5% on a comparable basis, primarily due to higher conversion rates and increased traffic.

The following table reconciles the number of Domestic stores open at the beginning and end of the first quarters of fiscal 2018 and 2017:

	Fiscal 2018				Fiscal 2017			
	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	1,026	—	(2)	1,024	1,037	—	(1)	1,036
Best Buy Mobile stand-alone	309	—	(11)	298	350	—	(12)	338
Pacific Sales stand-alone	28	—	—	28	28	—	—	28
Total Domestic segment stores	1,363	—	(13)	1,350	1,415	—	(13)	1,402

We continuously monitor store performance. As we approach the expiration date of our store leases, we evaluate various options for each location, including whether a store should remain open.

The following table presents the Domestic segment revenue mix percentages and comparable sales percentage changes by revenue category in the first quarters of fiscal 2018 and 2017:

	Revenue Mix Three Months Ended		Comparable Sales Three Months Ended	
	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016
Consumer Electronics	33 %	33 %	0.7 %	5.6 %
Computing and Mobile Phones	45 %	47 %	(0.3)%	(3.5)%
Entertainment	7 %	6 %	11.3 %	(11.6)%
Appliances	10 %	9 %	4.6 %	14.3 %
Services	5 %	5 %	4.2 %	(10.7)%

Other	— %	— %	n/a	n/a
Total	100 %	100 %	1.4 %	(0.1)%

The following is a description of the notable comparable sales changes in our Domestic segment by revenue category:

- Consumer Electronics: Comparable sales gain was driven primarily by home automation products.
- Computing and Mobile Phones: Comparable sales decline was driven primarily by declines in tablets, partially offset by gains in computing.
- Entertainment: Comparable sales gain was driven primarily by gaming hardware.
- Appliances: Comparable sales gain was driven primarily by large appliances.
- Services: Comparable sales gain was driven primarily by higher net commissions earned on warranty plan sales as a result of reductions to the premiums that we pay to the third party underwriter.

The gross profit rate of our Domestic segment decreased due to the $183 million in non-recurring cathode ray tube ("CRT") settlement proceeds received in the first quarter of fiscal 2017, which was partially offset by improved margin rates across multiple categories.

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The SG&A rate of our Domestic segment decreased primarily due to the $22 million in non-recurring CRT settlement legal fees incurred in the first quarter of fiscal 2017.

Our Domestic segment restructuring charges in the first quarter of fiscal 2017 related to our Renew Blue Phase 2, which had no activity in the same period of fiscal 2018. Refer to Note 5, Restructuring Charges, in the Notes to the Condensed Consolidated Financial Statements for additional information.

Our Domestic segment operating income rate decreased due to the net $161 million non-recurring CRT settlement, partially offset by lower restructuring charges and improved gross margin rates across multiple categories.

International

The following table presents selected financial data for the International segment ($ in millions):

	Three Months Ended April 29, 2017	April 30, 2016
Revenue	$616	$614
Revenue % gain (decline)	0.3 %	(8.1)%
Comparable sales % gain[(1)]	4.0 %	n/a
Gross profit	$151	$159
Gross profit as a % of revenue	24.5 %	25.9 %
SG&A	$149	$157
SG&A as a % of revenue	24.2 %	25.6 %
Restructuring charges	$—	$2
Operating income	$2	$—
Operating income as a % of revenue	0.3 %	— %

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, we did not report an International segment comparable sales metric for the three months ended April 30, 2016. Refer to the Overview section within this Item 2. MD&A for more information.

The components of our International segment's 0.3% revenue increase for the first quarter of fiscal 2018 were as follows:

	Three Months Ended April 29, 2017
Comparable sales	3.8 %
Non-comparable sales[(1)]	(2.0)%
Impact of foreign currency exchange rate fluctuations	(1.5)%
Total revenue increase	0.3 %

(1) Non-comparable sales reflects the impact of net store opening and closing activity, including the Canadian brand consolidation activity, as well as the impact of revenue streams not included within our comparable sales calculation, such as profit sharing benefits, certain credit card revenue, gift card breakage, commercial sales and sales of merchandise to wholesalers and dealers.

The increase in the first quarter of fiscal 2018 International segment revenue was driven by comparable sales growth of 4.0% due to growth in both Canada and Mexico, which was partially offset by a $13 million decrease in our periodic profit share in Canada and the negative impact of foreign currency exchange rate fluctuations. The profit-share revenue included in our non-comparable sales relate to our extended warranty protection plans that are managed by a third party underwriter. We may be eligible to receive profit-sharing payments, depending on the performance of the portfolio. When performance of the portfolio is strong and the claims cost to the third party underwriter declines, we are entitled to share in the excess premiums.

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The following table reconciles the number of International stores open at the beginning and end of the first quarters of fiscal 2018 and 2017:

	Fiscal 2018 Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter	Fiscal 2017 Total Stores at Beginning of First Quarter	Stores Opened	Stores Closed	Total Stores at End of First Quarter
Canada								
Best Buy	134	—	—	134	136	—	(1)	135
Best Buy Mobile stand-alone	53	—	—	53	56	—	—	56
Mexico								
Best Buy	20	—	—	20	18	—	—	18
Express	5	—	—	5	6	—	—	6
Total International segment stores	212	—	—	212	216	—	(1)	215

The following table presents the International segment's revenue mix percentages and comparable sales percentage changes by revenue category in the first quarters of fiscal 2018 and 2017:

	Revenue Mix Three Months Ended		Comparable Sales Three Months Ended	
	April 29, 2017	April 30, 2016	April 29, 2017	April 30, 2016[(1)]
Consumer Electronics	29 %	29 %	3.0 %	n/a
Computing and Mobile Phones	48 %	50 %	(1.5)%	n/a
Entertainment	7 %	6 %	14.8 %	n/a
Appliances	7 %	5 %	37.9 %	n/a
Services	7 %	8 %	11.1 %	n/a
Other	2 %	2 %	n/a	n/a
Total	100 %	100 %	4.0 %	n/a

(1) Due to the Canadian brand consolidation impact on our International segment comparable sales metric, we did not report an International segment comparable sales metric for the three months ended April 30, 2016. Refer to the Overview section within this Item 2. MD&A for more information.

The following is a description of the notable comparable sales changes in our International segment by revenue category:

- Consumer Electronics: Comparable sales gain was driven primarily by portable audio, large screen televisions and home automation products.
- Computing and Mobile Phones: Comparable sales decline was driven primarily by tablets.
- Entertainment: Comparable sales gain was driven primarily by gaming hardware.
- Appliances: Comparable sales gain was driven primarily by small and large appliances.
- Services: Comparable sales gain was driven primarily by installation and technical support.

The gross profit rate of our International segment decreased primarily due to a $13 million decrease in our periodic profit share revenue in Canada as described above.

Our International segment SG&A rate decrease was driven primarily by lower administrative and payroll and benefits costs.

Our International segment operating income rate increased slightly due to lower SG&A.

Consolidated Non-GAAP Financial Measures

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The following table reconciles consolidated operating income, effective tax rate, net earnings and diluted earnings per share ("EPS") from continuing operations for the periods presented (GAAP financial measures) to non-GAAP operating income, non-GAAP effective tax rate, non-GAAP net earnings and non-GAAP diluted earnings per share from continuing operations for the periods presented ($ in millions, except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016[1]
Operating income	$300	$372
Net CRT/LCD settlements[2]	—	(161)
Restructuring charges[3]	—	29
Non-GAAP operating income	$300	$240
Income tax expense	$104	$134
Effective tax rate	35.6 %	37.3 %
Income tax impact of non-GAAP adjustments[4]	—	(49)
Non-GAAP income tax expense	$104	$85
Non-GAAP effective tax rate	35.6 %	37.7 %
Net earnings from continuing operations	$188	$226
Net CRT/LCD settlements[2]	—	(161)
Restructuring charges[3]	—	29
Gain on sale of investments	—	(2)
Income tax impact of non-GAAP adjustments[4]	—	49
Non-GAAP net earnings from continuing operations	$188	$141
Diluted EPS from continuing operations	$0.60	$0.69
Per share impact of net CRT settlements[2]	—	(0.49)
Per share impact of restructuring charges[3]	—	0.09
Per share impact of gain on sale of investments	—	(0.01)
Per share income tax impact of non-GAAP adjustments[4]	—	0.15
Non-GAAP diluted EPS from continuing operations	$0.60	$0.43

(1) Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial measures. To ensure our financial results are comparable, we have recast the prior period balance to conform to this presentation. Refer to the Overview section within this Item 2. MD&A for more information.

(2) Represents CRT and LCD litigation settlements reached, net of related legal fees and costs. Settlements related to products purchased and sold in prior fiscal years. For the three months ended April 30, 2016, the entire balance related to the United States. Refer to Note 12, Contingencies and Commitments, within the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for further information.

(3) Refer to Note 5, Restructuring Charges, in the Notes to Condensed Consolidated Financial Statements for additional information regarding the nature of these charges. For the three months ended April 30, 2016, $27 million related to the United States and $2 million related to Canada.

(4) Income tax impact of non-GAAP adjustments is the summation of the calculated income tax charge related to each non-GAAP non-income tax adjustment. The non-GAAP adjustments relate primarily to adjustments in the United States and Canada. As such, the income tax charge is calculated using the statutory tax rates of 38.0% for the United States and 26.6% for Canada, applied to the non-GAAP adjustments of each country.

Non-GAAP operating income was 3.5% and 2.8% of revenue for the first quarter of fiscal 2018 and fiscal 2017, respectively. This increase was driven by increases in gross profit rate driven by improved merchandise margin rates and good expense management.

Non-GAAP effective tax rate decreased primarily due to the recognition of excess tax benefits related to stock-based compensation, the resolution of certain tax matters and a higher mix of forecast taxable income from foreign operations in the current year period.

The increase in non-GAAP operating income and the decrease in the non-GAAP effective tax rate drove the increase in both non-GAAP net earnings from continuing operations and non-GAAP diluted EPS from continuing operations. Non-GAAP diluted EPS from continuing operations also increased due to lower diluted weighted-average common shares outstanding driven by our share repurchases. Refer to the Share Repurchases and Dividends section below for additional details.

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Liquidity and Capital Resources

Summary

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including the level of investment needed to support our business strategies, the performance of our business, capital expenditures, credit facilities and short-term borrowing arrangements and working capital management. Capital expenditures and share repurchases
are components 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 Best Buy 2020: Building the New Blue strategies.

The following table summarizes our cash and cash equivalents and short-term investments balances at April 29, 2017, January 28, 2017, and April 30, 2016 ($ in millions):

	April 29, 2017	January 28, 2017	April 30, 2016
Cash and cash equivalents	$ 1,651	$ 2,240	$ 1,845
Short-term investments	1,948	1,681	1,220
Total cash and cash equivalents and short-term investments	$ 3,599	$ 3,921	$ 3,065

Existing cash and cash equivalents and short-term investments as well as cash generated from operations were sufficient to fund share repurchases, capital expenditures and dividends during the first quarter of fiscal 2018 without the need to utilize our credit facilities or other debt arrangements.

Cash Flows

The following table summarizes our cash flows from total operations for the first three months of fiscal 2018 and 2017 ($ in millions):

	Three Months Ended	
	April 29, 2017	April 30, 2016(1)
Total cash provided by (used in):		
Operating activities	$ 243	$ 492
Investing activities	(423)	(40)
Financing activities	(413)	(621)
Effect of exchange rate changes on cash	(6)	40
Decrease in cash, cash equivalents and restricted cash	$ (599)	$ (129)

(1) Represents cash flows as of April 30, 2016, recast to present our retrospective adoption of accounting guidance related to the presentation of the cash flow statement. Refer to Note 1, Basis of Presentation, of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

Operating activities

The decrease in cash provided by operating activities was primarily due to changes in working capital associated with the timing of inventory receipts and payments as well as the timing of advertising payments. During fiscal 2017, we generally purchased inventory later in the Holiday season than in the prior year causing more payments to occur during the first quarter of fiscal 2018. This was partially offset by changes in receivables driven by higher revenues at the end of fiscal 2017 than the prior year and the subsequent timing of collections during fiscal 2018 compared with fiscal 2017. Timing of income tax payments also contributed to an increase to inflows in fiscal 2018.

Investing activities
The increase in cash used in investing activities was primarily due to purchases of short-term investments.

Financing activities
The decrease in cash used in financing activities was due to repayment of our 2016 Notes and payment of a special dividend in fiscal 2017, somewhat offset by increased share repurchases and an increase in our regular quarterly dividend rate. On March 1, 2017, we announced our intent to increase our share repurchases to $3.0 billion over the next two years compared to the $1.0

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billion over two years that had been announced in February 2016. We also increased our regular quarterly dividend from $0.28 per share to $0.34 per share.

Sources of Liquidity

Funds generated by operating activities, available cash and cash equivalents, short-term investments, 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, strategic initiatives, share repurchases and dividends. 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.

We have a $1.25 billion five-year senior unsecured revolving credit facility (the "Five-Year Facility Agreement") with a syndicate of banks that expires in June 2021. At April 29, 2017, we had no borrowings outstanding under the Five-Year Facility Agreement. Refer to Note 6, Debt, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for further information on our Five-Year Facility Agreement.

Our ability to access our revolving credit facility under the Five-Year Facility Agreement is subject to our compliance with the terms and conditions of the facility, including financial covenants. The financial covenants require us to maintain certain financial ratios. At April 29, 2017, we were in compliance with all such financial covenants. If an event of default were to occur with respect to any of our other debt, it would likely constitute an event of default under our facilities as well.

Our credit ratings and outlooks at June 1, 2017, are summarized below. In fiscal 2017, Standard & Poor's Rating Services upgraded its long-term credit rating from BB+ to BBB- with a Stable outlook; Moody's Investors Service, Inc. affirmed its long-term credit rating of Baa1 with a Stable outlook; and Fitch Ratings Limited affirmed its long-term credit rating of BBB- with a Stable outlook.

Rating Agency	Rating	Outlook
Standard & Poor's	BBB-	Stable
Moody's	Baa1	Stable
Fitch	BBB-	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. Accordingly, we are not able to predict whether our current credit ratings will remain as disclosed above. 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 further 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 store leasing costs.

Restricted Cash

Our liquidity is also affected by restricted cash balances that are pledged as collateral or restricted to use for general liability insurance and workers' compensation insurance. Restricted cash and cash equivalents related to our continuing operations, which are included in Other current assets, remained consistent at $183 million, $193 million, and $187 million at April 29, 2017, January 28, 2017, and April 30, 2016, respectively.

Debt and Capital

As of April 29, 2017, we have $500 million principal amount of notes due August 1, 2018 (the "2018 Notes") and $650 million principal amount of notes due March 15, 2021 (the "2021 Notes"). Refer to Note 6, Debt, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for further information about our 2018 Notes and 2021 Notes.

Share Repurchases and Dividends

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We repurchase our common stock and pay dividends pursuant to programs approved by our Board of Directors ("Board"). 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.

On March 1, 2017, we announced our intent to repurchase $3.0 billion of shares over the next two years. In order to execute this plan, our Board approved a new $5.0 billion share repurchase program in February 2017. This share repurchase program supersedes the previous $5.0 billion authorization dated June 2011, which had $2.2 billion remaining as of January 28, 2017. There is no expiration date governing the period over which we can repurchase shares under the February 2017 share repurchase program. Repurchased shares are retired and constitute authorized but unissued shares.

The following table presents our share repurchase history for the three months ended April 29, 2017, and April 30, 2016 (in millions except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016[1]
Total cost of shares repurchased	$384	$101
Average price per share	$46.30	$30.55
Number of shares repurchased	8.3	3.3

(1) Includes the settlement of an accelerated share repurchase contract. Refer to Note 7, Shareholders' Equity, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for further information on this contract.

The increase in share repurchase activity reflects our announced intent in March 2017 to increase our share repurchases to $3.0 billion over the next two years compared with the $1.0 billion over two years that had been announced in February 2016.

In fiscal 2004, our Board initiated the payment of a regular quarterly cash dividend on common stock. A quarterly cash dividend has been paid in each subsequent quarter. The payment of cash dividends is subject to customary legal and contractual restrictions. The following table presents our dividend activity for the three months ended April 29, 2017, and April 30, 2016 (in millions, except per share amounts):

	Three Months Ended	
	April 29, 2017	April 30, 2016
Regular quarterly cash dividends per share	$0.34	$ 0.28
Special cash dividends per share [1]	—	0.45
Total cash dividends per share	$0.34	$ 0.73
Cash dividends declared and paid	$105	$ 238

(1) Special cash dividends are authorized by our Board and issued upon their discretion. Dividends paid in fiscal 2017 related to the net after-tax proceeds from certain legal settlements and asset disposals.

The decline in cash dividends declared and paid was the result of the lack of a special dividend and fewer shares due to the return of capital to shareholders through share repurchases. This was somewhat offset by a 21% increase in the regular quarterly dividend rate.

Other Financial Measures

Our current ratio, calculated as current assets divided by current liabilities, was 1.5 at the end of the first quarter of fiscal 2018, unchanged when compared with the end of fiscal 2017 and the end of the first quarter of fiscal 2017.

Our debt to net earnings ratio was 1.2 at the end of the first quarter of fiscal 2018, compared to 1.1 at the end of fiscal 2017 and 1.4 at the end of the first quarter of fiscal 2017. The first quarter of fiscal 2018 was consistent compared with the end of fiscal 2017. The decrease at the end of the first quarter of fiscal 2018 compared to the end of the first quarter of fiscal 2017 was primarily due to an increase in earnings. Our non-GAAP debt to EBITDAR ratio, which includes capitalized operating lease obligations in its calculation, was 1.6 at the end of the first quarter of fiscal 2018 and the end of the fiscal 2017, compared to 1.7 at the end of the first quarter of fiscal 2017. The decrease at the end of fiscal 2018 compared to the end of the first quarter of fiscal 2017 was primarily due to an increase in net earnings.

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Our non-GAAP debt to EBITDAR ratio is calculated as follows:

$$\text{Non-GAAP debt to EBITDAR} = \frac{\text{Non-GAAP debt}}{\text{Non-GAAP EBITDAR}}$$

The most directly comparable GAAP financial measure to our non-GAAP debt to EBITDAR ratio is our debt to net earnings ratio, which excludes capitalized operating lease obligations from debt in the numerator of the calculation and does not adjust net earnings in the denominator of the calculation.

The following table presents a reconciliation of our debt to net earnings ratio and our non-GAAP debt to EBITDAR ratio for continuing operations ($ in millions):

	April 29, 2017[1]	January 28, 2017[1]	April 30, 2016[1]
Debt (including current portion)	$ 1,347	$ 1,365	$ 1,378
Capitalized operating lease obligations (5 times rental expense)[2]	3,879	3,872	3,869
Non-GAAP debt	$ 5,226	$ 5,237	$ 5,247
Net earnings from continuing operations	$ 1,169	$ 1,207	$ 996
Other income (expense) (including interest expense, net)	34	38	66
Income tax expense	579	609	599
Depreciation and amortization expense	653	654	657
Rental expense	776	774	774
Restructuring charges and other[3][4]	10	39	45
Non-GAAP EBITDAR	$ 3,221	$ 3,321	$ 3,137
Debt to net earnings ratio	1.2	1.1	1.4
Non-GAAP debt to EBITDAR ratio	1.6	1.6	1.7

(1) Debt is reflected as of the balance sheet dates for each of the respective fiscal periods, while rental expense and the other components of EBITDAR represent activity for the 12-months ended as of each of the respective dates.

(2) The multiple of five times annual rent expense in the calculation of our capitalized operating lease obligations is the multiple used for the retail sector by one of the nationally recognized credit rating agencies that rate our creditworthiness, and we consider it to be an appropriate multiple for our lease portfolio.

(3) Includes the impact of restructuring charges. Refer to Note 5, Restructuring Charges, in the Notes to Condensed Consolidated Financial Statements for addition information regarding the nature of these charges.

(4) Beginning in the first quarter of fiscal 2018, we no longer exclude non-restructuring property and equipment impairment charges from our non-GAAP financial measures. To ensure our financial results are comparable, we have recast the prior period balances to conform to this presentation. Refer to the Overview section within this Item 2. MD&A for more information.

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 operating leases and our $1.25 billion in undrawn capacity on our credit facilities at April 29, 2017, which, if drawn upon, would be included as short-term debt in 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 2017. See our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, 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 included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017. We discuss 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, 2017. In the first quarter of fiscal 2018, we adopted accounting policy changes related to stock-based compensation and inventory valuation, as described in Note 1, Basis of Presentation, of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q. There have been no other significant change in our significant accounting policies or critical accounting estimates since the end of fiscal 2017.

New Accounting Pronouncements

For a description of new applicable accounting pronouncements, see Note 1, Basis of Presentation, of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

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," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project" and other words and terms of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, business prospects, new strategies, the competitive environment and other events. These statements are subject to certain risks and uncertainties 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 Annual Report on Form 10-K for the fiscal year ended January 28, 2017, 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: macro-economic conditions (including fluctuations in housing prices, oil markets and jobless rates), conditions in the industries and categories in which we operate, changes in consumer preferences or confidence, changes in consumer spending and debt levels, the mix of products and services offered for sale in our physical stores and online, credit market changes and constraints, product availability, trade restrictions or changes in the costs of imports, competitive initiatives of competitors (including pricing actions and promotional activities), strategic and business decisions of our vendors (including actions that could impact promotional support, product margin and/or supply), the success of new product launches, the impact of pricing investments and promotional activity, weather, natural or man-made disasters, attacks on our data systems, our ability to prevent or react to a disaster recovery situation, changes in law or regulations, changes in tax rates, changes in taxable income in each jurisdiction, tax audit developments and resolution of other discrete tax matters, changes in our stock price and the impact on excess tax benefits or deficiencies related to stock-based compensation, foreign currency fluctuation, our ability to manage our property portfolio, the impact of labor markets, our ability to retain qualified employees and management, failure to achieve anticipated expense and cost reductions, disruptions in our supply chain, the costs of procuring goods we sell, failure to achieve anticipated revenue and profitability increases from operational and restructuring changes (including investments in our multi-channel capabilities), inability to secure or maintain favorable vendor terms, failure to accurately predict the duration over which we will incur costs, development of new businesses, failure to complete or achieve anticipated benefits of announced transactions and our ability to protect information relating to our employees and customers. 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 Form 10-K for fiscal 2017, 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 and short-term investments 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 a floating-rate such that the interest rate expense on this debt will vary with short-term interest rates. Refer to Note 5, Debt, and Note 6, Derivative Instruments, in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, for further information regarding our interest rate swaps.

As of April 29, 2017, we had $3.6 billion of cash and short-term investments and $825 million of debt that has been swapped to floating rate. Therefore, we had net cash and short-term investments of $2.8 billion generating income, which is exposed to interest rate changes. As of April 29, 2017, a 50 basis point increase in short-term interest rates would lead to an estimated $14 million reduction in net interest expense, and conversely a 50 basis point decrease in short-term interest rates would lead to an estimated $14 million increase in net interest expense.

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Foreign Currency Exchange Rate Risk

We have market risk arising from changes in foreign currency exchange rates related to our International segment operations. On a limited basis, we utilize foreign exchange forward contracts to manage foreign currency exposure to certain forecast inventory purchases, recognized receivable and payable balances and our investment in our Canadian operations. Our primary objective in holding derivatives is to reduce the volatility of net earnings and cash flows, as well as net asset value associated with changes in foreign currency exchange rates. Our foreign currency risk management strategy includes both hedging instruments and derivatives that are not designated as hedging instruments, which generally have terms of up to 12 months. The aggregate notional amount related to our foreign exchange forward contracts outstanding at April 29, 2017, was $242 million. The net fair value recorded on our Condensed Consolidated Balance Sheets at April 29, 2017, related to our foreign exchange forward contracts was $7 million. The amount recorded in our Condensed Consolidated Statements of Earnings from continuing operations related to all contracts settled and outstanding was a gain of $1 million in the first quarter of fiscal 2018.

The strength of the U.S. dollar compared to the Canadian dollar and Mexican peso compared to the prior-year period had a negative overall impact on our revenue as these foreign currencies translated into fewer U.S. dollars. We estimate that foreign currency exchange rate fluctuations had a net unfavorable impact on our revenue of approximately $9 million and no material impact on our net earnings in the first quarter of fiscal 2018.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s 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 otherwise as needed.

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, 2017. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at April 29, 2017, our disclosure controls and procedures were effective.

There was no change in internal control over financial reporting during the fiscal quarter ended April 29, 2017, that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our legal proceedings, see Note 12, Contingencies, of the Notes to Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

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

(c) Stock Repurchases

The following table presents the total number of shares of our common stock that we purchased during the first quarter of fiscal 2018, the average price paid per share, the number of shares that we purchased as part of our publicly announced repurchase programs and the approximate dollar value of shares that still could have been repurchased at the end of each fiscal period, pursuant to our June 2011 and February 2017 $5.0 billion share repurchase programs:

Fiscal Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program[(1)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program[(1)]
Jan. 29, 2017 through Feb. 25, 2017	851,988	$ 44.64	851,988	$ 2,200,000,000
Feb. 26, 2017 through April 1, 2017	4,834,770	$ 44.83	4,834,770	$ 4,783,000,000
April 2, 2017 through April 29, 2017	2,611,535	$ 49.56	2,611,535	$ 4,654,000,000
Total Fiscal 2018 First Quarter	8,298,293	$ 46.30	8,298,293	

(1) Pursuant to a $5.0 billion share repurchase program that was authorized by our Board in June 2011 and in February 2017. The $5.0 billion share repurchase program authorized in June 2011 was terminated and replaced by the $5.0 billion share repurchase program effective February 27, 2017. There is no expiration date governing the period over which we can repurchase shares under the February 2017 share repurchase program. For additional information see Note 10, Repurchase of Common Stock, Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

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Item 6. Exhibits

3.1	Restated Articles of Incorporation (incorporated herein by reference to the Definitive Proxy Statement filed by Best Buy Co., Inc. on May 12, 2009)
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 September 26, 2013)
10.1	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement (2017) - Restricted Shares
10.2	Form of Best Buy Co., Inc. Long-Term Incentive Program Award Agreement (2017) - 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 2018, filed with the SEC on June 5, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at April 29, 2017, January 28, 2017, and April 30, 2016, (ii) the Condensed Consolidated Statements of Earnings for the three months ended April 29, 2017, and April 30, 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended April 29, 2017, and April 30, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the three months ended April 29, 2017, and April 30, 2016, (v) the Condensed Consolidated Statements of Changes in Shareholders' Equity for the three months ended April 29, 2017, and April 30, 2016, and (vi) the Notes to Condensed Consolidated Financial Statements.

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(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.

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.

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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 5, 2017	By:	/s/ HUBERT JOLY Hubert Joly Chairman and Chief Executive Officer
Date: June 5, 2017	By:	/s/ CORIE BARRY Corie Barry Chief Financial Officer
Date: June 5, 2017	By:	/s/ MATHEW R. WATSON Mathew R. Watson Vice President, Finance – Controller and Chief Accounting Officer