

BEST BUY CO INC
Form 10-Q
January 05, 2011
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 27, 2010

OR

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

For the transition period from to

Commission File Number: 1-9595

BEST BUY CO., INC.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0907483

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

**7601 Penn Avenue South
Richfield, Minnesota**

(Address of principal executive offices)

55423

(Zip Code)

(612) 291-1000

(Registrant's telephone number, including area code)

N/A

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

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 o**

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 (§ 229.405 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 o**

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Yes** **No**

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$.10 Par Value 394,196,420 shares outstanding as of December 29, 2010.

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BEST BUY CO., INC.

FORM 10-Q FOR THE QUARTER ENDED NOVEMBER 27, 2010

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BEST BUY CO., INC.CONDENSED CONSOLIDATED BALANCE SHEETSASSETS

(\$ in millions, except per share amounts)

(Unaudited)

	November 27, 2010	February 27, 2010	November 28, 2009
CURRENT ASSETS			
Cash and cash equivalents	\$ 925	\$ 1,826	\$ 564
Short-term investments	2	90	93
Receivables	2,793	2,020	2,630
Merchandise inventories	10,064	5,486	8,978
Other current assets	1,045	1,144	1,002
Total current assets	14,829	10,566	13,267
PROPERTY AND EQUIPMENT, NET	3,994	4,070	4,123
GOODWILL	2,441	2,452	2,421
TRADENAMES, NET	145	159	163
CUSTOMER RELATIONSHIPS, NET	220	279	292
EQUITY AND OTHER INVESTMENTS	343	324	332
OTHER ASSETS	380	452	502
TOTAL ASSETS	\$ 22,352	\$ 18,302	\$ 21,100

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NOTE: The consolidated balance sheet as of February 27, 2010, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsBEST BUY CO., INC.CONDENSED CONSOLIDATED BALANCE SHEETSLIABILITIES AND EQUITY

(\$ in millions, except per share amounts)

(Unaudited)

	November 27, 2010	February 27, 2010	November 28, 2009
CURRENT LIABILITIES			
Accounts payable	\$ 9,858	\$ 5,276	\$ 9,083
Unredeemed gift card liabilities	424	463	425
Accrued compensation and related expenses	464	544	482
Accrued liabilities	1,920	1,681	1,856
Accrued income taxes	31	316	55
Short-term debt	690	663	741
Current portion of long-term debt	33	35	36
Total current liabilities	13,420	8,978	12,678
LONG-TERM LIABILITIES	1,166	1,256	1,194
LONG-TERM DEBT	1,101	1,104	1,104
EQUITY			
Best Buy Co., Inc. Shareholders' Equity			
Preferred stock, \$1.00 par value: Authorized 400,000 shares; Issued and outstanding none			
Common stock, \$0.10 par value: Authorized 1.0 billion shares; Issued and outstanding 394,067,000, 418,815,000 and 418,032,000 shares, respectively	39	42	42
Additional paid-in capital		441	404
Retained earnings	5,824	5,797	5,076
Accumulated other comprehensive income	138	40	7
Total Best Buy Co., Inc. shareholders' equity	6,001	6,320	5,529
Noncontrolling interests	664	644	595
Total equity	6,665	6,964	6,124
TOTAL LIABILITIES AND EQUITY	\$ 22,352	\$ 18,302	\$ 21,100

NOTE: The consolidated balance sheet as of February 27, 2010, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsBEST BUY CO., INC.CONSOLIDATED STATEMENTS OF EARNINGS

(\$ in millions, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Revenue	\$ 11,890	\$ 12,024	\$ 34,016	\$ 33,141
Cost of goods sold	8,907	9,082	25,322	24,958
Gross profit	2,983	2,942	8,694	8,183
Selling, general and administrative expenses	2,598	2,566	7,585	7,179
Restructuring charges				52
Operating income	385	376	1,109	952
Other income (expense)				
Investment income and other	8	11	33	38
Interest expense	(20)	(23)	(64)	(68)
Earnings before income tax expense	373	364	1,078	922
Income tax expense	133	93	400	338
Net earnings including noncontrolling interests	240	271	678	584
Net earnings attributable to noncontrolling interests	(23)	(44)	(52)	(46)
Net earnings attributable to Best Buy Co., Inc.	\$ 217	\$ 227	\$ 626	\$ 538
Earnings per share attributable to Best Buy Co., Inc.				
Basic	\$ 0.55	\$ 0.54	\$ 1.53	\$ 1.29
Diluted	\$ 0.54	\$ 0.53	\$ 1.50	\$ 1.27
Dividends declared per common share	\$ 0.15	\$ 0.14	\$ 0.43	\$ 0.42
Weighted-average common shares outstanding (in millions)				
Basic	397.1	417.1	410.3	416.3
Diluted	407.8	428.6	420.7	426.8

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsBEST BUY CO., INC.CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITYFOR THE NINE MONTHS ENDED NOVEMBER 27, 2010, AND NOVEMBER 28, 2009

(\$ and shares in millions)

(Unaudited)

	Best Buy Co., Inc.				Total Best Buy Co., Inc. Shareholders' Equity		Non controlling Interests	Total Equity
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			
Balances at February 27, 2010	419	\$ 42	\$ 441	\$ 5,797	\$ 40	\$ 6,320	\$ 644	\$ 6,964
Net earnings, nine months ended November 27, 2010				626		626	52	678
Other comprehensive income (loss), net of tax								
Foreign currency translation adjustments					40	40	(35)	5
Unrealized gains on available-for-sale investments					55	55		55
Cash flow hedging instruments unrealized gains					3	3	3	6
Total comprehensive income						724	20	744
Stock-based compensation			87			87		87
Stock options exercised	5		127			127		127
Issuance of common stock under employee stock purchase plan	1		44			44		44
Tax benefit from stock options exercised, restricted stock vesting and employee stock purchase plan			5			5		5
Common stock dividends, \$0.43 per share				(178)		(178)		(178)

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Repurchase of common stock	(31)		(3)		(704)		(421)			(1,128)		(1,128)			
Balances at November 27, 2010	394	\$	39	\$		\$	5,824	\$	138	\$	6,001	\$	664	\$	6,665
Balances at February 28, 2009	414	\$	41	\$	205	\$	4,714	\$	(317)	\$	4,643	\$	513	\$	5,156
Net earnings, nine months ended November 28, 2009							538				538		46		584
Other comprehensive income, net of tax															
Foreign currency translation adjustments									289		289		58		347
Unrealized gains on available-for-sale investments									35		35				35
Cash flow hedging instruments unrealized gains															
Total comprehensive income											862		104		966
Acquisition of business (adjustments to purchase price allocation)													(22)		(22)
Stock-based compensation							88				88				88
Stock options exercised	3		1		79						80				80
Issuance of common stock under employee stock purchase plan	1				40						40				40
Tax deficit from stock options exercised, restricted stock vesting and employee stock purchase plan					(8)						(8)				(8)
Common stock dividends, \$0.42 per share							(176)				(176)				(176)
Balances at November 28, 2009	418	\$	42	\$	404	\$	5,076	\$	7	\$	5,529	\$	595	\$	6,124

See Notes to Condensed Consolidated Financial Statements.

Table of ContentsBEST BUY CO., INC.CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)

(Unaudited)

	Nine Months Ended	
	November 27, 2010	November 28, 2009
OPERATING ACTIVITIES		
Net earnings including noncontrolling interests	\$ 678	\$ 584
Adjustments to reconcile net earnings including noncontrolling interests to total cash provided by operating activities		
Depreciation	668	614
Amortization of definite-lived intangible assets	63	66
Restructuring charges		52
Stock-based compensation	87	88
Deferred income taxes	(6)	(41)
Excess tax benefits from stock-based compensation	(13)	(3)
Other, net	16	(4)
Changes in operating assets and liabilities		
Receivables	(805)	(691)
Merchandise inventories	(4,561)	(4,087)
Other assets	80	(5)
Accounts payable	4,492	3,936
Other liabilities	159	374
Income taxes	(313)	(204)
Total cash provided by operating activities	545	679
INVESTING ACTIVITIES		
Additions to property and equipment	(529)	(469)
Purchases of investments	(245)	(10)
Sales of investments	383	46
Proceeds from sale of business, net of cash transferred	21	
Change in restricted assets	(1)	19
Settlement of net investment hedges	12	27
Other, net	(2)	(18)
Total cash used in investing activities	(361)	(405)
FINANCING ACTIVITIES		
Repurchase of common stock	(1,128)	
Borrowings of debt	1,925	3,593
Repayments of debt	(1,884)	(3,703)
Dividends paid	(178)	(175)
	171	120

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Issuance of common stock under employee stock purchase plan and for the exercise of stock options			
Acquisition of noncontrolling interests	(21)		(34)
Excess tax benefits from stock-based compensation	13		3
Other, net	9		(12)
Total cash used in financing activities	(1,093)		(208)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	8		
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(901)		66
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,826		498
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 925	\$	564

See Notes to Condensed Consolidated Financial Statements.

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BEST BUY CO., INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(\$ in millions, except per share amounts)

(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 realized more of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Europe and Canada, than in any other fiscal quarter. 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 February 27, 2010.

In order to align our fiscal reporting periods and comply with statutory filing requirements in certain foreign jurisdictions, we consolidate the financial results of our Europe, China, Mexico and Turkey operations on a two-month lag. There were no significant intervening events which would have materially affected our consolidated financial statements had they been recorded during the three months ended November 27, 2010.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from November 28, 2010 through the date the financial statements were issued for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

New Accounting Standards

Consolidation of Variable Interest Entities In June 2009, the Financial Accounting Standards Board (FASB) issued new guidance on the treatment of a consolidation of variable interest entities (VIE) in response to concerns about the application of certain key provisions of pre-existing guidance, including those regarding the transparency of an involvement with a VIE. Specifically, this new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, this new guidance requires additional disclosures about an involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance was effective for fiscal years beginning after November 15, 2009. As such, we adopted the new guidance on February 28, 2010, and determined that it did not have an impact on our consolidated financial position or results of operations.

Transfers of Financial Assets In June 2009, the FASB issued new guidance on the treatment of transfers of financial assets which eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures in order to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including securitization transactions, and an entity's continuing involvement in and exposure to the risks related to transferred financial assets. This new guidance was effective for fiscal years beginning after November 15, 2009. As such, we adopted the new guidance on February 28, 2010, and determined that it did not have an impact on our consolidated financial position or results of operations.

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Investments were comprised of the following:

	November 27, 2010		February 27, 2010		November 28, 2009
Short-term investments					
Money market fund	\$	2	\$	2	\$ 4
Debt securities (auction-rate securities)				88	89
Total short-term investments	\$	2	\$	90	\$ 93
Equity and other investments					
Debt securities (auction-rate securities)	\$	131	\$	192	\$ 195
Marketable equity securities		145		77	86
Other investments		67		55	51
Total equity and other investments	\$	343	\$	324	\$ 332

Debt Securities

Our debt securities are comprised of auction-rate securities (ARS). ARS were intended to behave like short-term debt instruments because their interest rates reset periodically through an auction process, most commonly at intervals of seven, 28 and 35 days. The auction process had historically provided a means by which we could rollover the investment or sell these securities at par in order to provide us with liquidity as needed. As a result, we classify our investments in ARS as available-for-sale and carry them at fair value.

In February 2008, auctions began to fail due to insufficient buyers, as the amount of securities submitted for sale in auctions exceeded the aggregate amount of the bids. For each failed auction, the interest rate on the security moves to a maximum rate specified for each security, and generally resets at a level higher than specified short-term interest rate benchmarks. To date, we have collected all interest due on our ARS and expect to continue to do so in the future. Due to persistent failed auctions, and the uncertainty of when these investments could be liquidated at par, we have classified all of our investments in ARS as non-current assets within equity and other investments in our condensed consolidated balance sheet at November 27, 2010.

In October 2008, we accepted a settlement with UBS AG and its affiliates (collectively, UBS) pursuant to which UBS issued to us Series C-2 Auction Rate Securities Rights (ARS Rights). The ARS Rights provided us the right to receive the full par value of our UBS-brokered ARS plus accrued but unpaid interest at any time between June 30, 2010, and July 2, 2012. Of the \$88 UBS-brokered ARS held at the end of fiscal 2010, we sold \$35 at par in the first quarter of fiscal 2011, and exercised our right to sell the remaining \$53 at par in the second quarter of fiscal 2011.

During the third quarter of fiscal 2011, we sold \$3 of ARS at par. At November 27, 2010, our entire remaining ARS portfolio, consisting of 24 investments in ARS having an aggregate par value of \$141, was subject to failed auctions. Subsequent to November 27, 2010, and through December 30, 2010, we sold \$8 of ARS at par.

Our ARS portfolio consisted of the following, at fair value:

Description	Nature of collateral or guarantee	November 27, 2010	February 27, 2010	November 28, 2009
Student loan bonds	Student loans guaranteed 95% to 100% by the U.S. government	\$ 113	\$ 261	\$ 264
Municipal revenue bonds	100% insured by AA/Aa-rated bond insurers at November 27, 2010	18	19	20
Total fair value plus accrued interest(1)		\$ 131	\$ 280	\$ 284

(1) The par value and weighted-average interest rates (taxable equivalent) of our ARS were \$141, \$285 and \$293, and 0.91%, 1.10% and 0.95%, respectively, at November 27, 2010, February 27, 2010, and November 28, 2009, respectively.

At November 27, 2010, our ARS portfolio was 73% AAA/Aaa-rated, 20% AA/Aa-rated and 7% A/A-rated.

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The investment principal associated with failed auctions will not be accessible until successful auctions occur, a buyer is found outside of the auction process, the issuers establish a different form of financing to replace these securities, or final payments are due according to the contractual maturities of the debt issuances, which range from six to 33 years. We intend to hold our ARS until we can recover the full principal amount through one of the means described above, and have the ability to do so based on our other sources of liquidity.

We evaluated our entire ARS portfolio of \$141 (par value) for impairment at November 27, 2010, based primarily on the methodology described in Note 3, *Fair Value Measurements*. As a result of this review, we determined that the fair value of our ARS portfolio at November 27, 2010, was \$131. Accordingly, a \$10 pre-tax unrealized loss is recognized in accumulated other comprehensive income. This unrealized loss reflects a temporary impairment on all of our investments in ARS. The estimated fair value of our ARS portfolio could change significantly based on future market conditions. We will continue to assess the fair value of our ARS portfolio for substantive changes in relevant market conditions, changes in our financial condition or other changes that may alter our estimates described above.

We may be required to record an additional unrealized holding loss or an impairment charge to earnings if we determine that our ARS portfolio has incurred a further decline in fair value that is temporary or other-than-temporary, respectively. Factors that we consider when assessing our ARS portfolio for other-than-temporary impairment include the duration and severity of the impairment, the reason for the decline in value, the potential recovery period and the nature of the collateral or guarantees in place, as well as our intent and ability to hold an investment.

We had \$(6), \$(3) and \$(5) of unrealized loss, net of tax, recorded in accumulated other comprehensive income at November 27, 2010, February 27, 2010, and November 28, 2009, respectively, related to our investments in debt securities.

Marketable Equity Securities

We invest in marketable equity securities and classify them as available-for-sale. Investments in marketable equity securities are classified as non-current assets within equity and other investments in our condensed consolidated balance sheets and are reported at fair value based on quoted market prices.

Our investments in marketable equity securities were as follows:

	November 27, 2010	February 27, 2010	November 28, 2009
Common stock of The Carphone Warehouse Group PLC	\$ 63	\$ 74	\$ 83
Common stock of TalkTalk Telecom Group PLC	63		
Common stock of Carphone Warehouse Group plc	78		
Other	4	3	3
Total	\$ 145	\$ 77	\$ 86

We purchased shares of The Carphone Warehouse Group PLC (CPW) common stock in fiscal 2008, representing nearly 3% of CPW 's then outstanding shares. In March 2010, CPW demerged into two new holding companies: TalkTalk Telecom Group PLC (TalkTalk), which is the

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holding company for the fixed line voice and broadband telecommunications business of the former CPW, and Carphone Warehouse Group plc (Carphone Warehouse), which includes the former CPW s 50% noncontrolling interest in Best Buy Europe Distributions Limited (Best Buy Europe). Accordingly, our investment in CPW was exchanged for equivalent levels of investment in TalkTalk and Carphone Warehouse. An \$84 pre-tax unrealized gain is recorded in accumulated other comprehensive income related to these investments at November 27, 2010.

We review all investments for other-than-temporary impairment at least quarterly or as we observe indicators of impairment. Indicators of impairment include the duration and severity of the decline in fair value as well as the intent and ability to hold the investment to allow for a recovery in the market value of the investment. In addition, we consider qualitative factors that include, but are not limited to: (i) the financial condition and business plans of the investee including its future earnings potential, (ii) the investee s credit rating, and (iii) the current and expected market and industry conditions in which the investee operates. If a decline in the fair value of an investment is deemed by management to be other-than-temporary, we write down the cost basis of the investment to fair value, and the amount of the write-down is included in net earnings.

All unrealized holding gains or losses related to our investments in marketable equity securities are reflected net of tax in accumulated other comprehensive income in Total Best Buy Co., Inc. shareholders equity. The total unrealized gain, net of tax, included in accumulated other comprehensive income was \$75, \$17 and \$26 at November 27, 2010, February 27, 2010, and November 28, 2009, respectively.

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Other Investments

The aggregate carrying values of investments accounted for using either the cost method or the equity method, at November 27, 2010, February 27, 2010, and November 28, 2009, were \$67, \$55 and \$51, respectively.

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. 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 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 that are Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances in which 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

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its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables set 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 November 27, 2010, February 27, 2010, and November 28, 2009, according to the valuation techniques we used to determine their fair values.

	Fair Value at November 27, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Inputs Considered as Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Short-term investments				
Money market fund	\$ 2	\$	\$ 2	\$
Other current assets				
Money market funds (restricted assets)	66	66		
U.S. Treasury bills (restricted assets)	85	85		
Foreign currency derivative instruments	5		5	
Equity and other investments				
Auction-rate securities	131			131
Marketable equity securities	145	145		
Other assets				
Marketable securities that fund deferred compensation	80	80		
Foreign currency derivative instruments	4		4	
LIABILITIES				
Long-term liabilities				
Deferred compensation	67	67		

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	Fair Value at February 27, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Inputs Considered as Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	\$ 752	\$ 752		\$
U.S. Treasury bills	300	300		
Short-term investments				
Money market fund	2		2	
Auction-rate securities	88			88
Other current assets				
Money market funds (restricted assets)	123	123		
U.S. Treasury bills (restricted assets)	25	25		
Foreign currency derivative instruments	4		4	
Equity and other investments				
Auction-rate securities	192			192
Marketable equity securities	77	77		
Other assets				
Marketable securities that fund deferred compensation	75	75		
LIABILITIES				
Long-term liabilities				
Deferred compensation	61	61		

	Fair Value at November 28, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using Inputs Considered as Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	\$ 28	\$ 28		\$
Short-term investments				
Money market fund	4		4	
Auction-rate securities	89			89
Other current assets				
Money market funds (restricted assets)	16	16		
U.S. Treasury bills (restricted assets)	55	55		
Foreign currency derivative instruments	4		4	
Equity and other investments				
Auction-rate securities	195			195
Marketable equity securities	86	86		
Other assets				
Marketable securities that fund deferred compensation	73	73		
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	1		1	
Long-term liabilities				

Deferred compensation

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The following tables provide a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) for the three and nine months ended November 27, 2010, and November 28, 2009.

	Student loan bonds	Debt securities- Auction-rate securities only Municipal revenue bonds	Total
Balances at August 28, 2010	\$ 116	\$ 18	\$ 134
Changes in unrealized losses included in other comprehensive income			
Sales	(3)		(3)
Interest received			
Balances at November 27, 2010	\$ 113	\$ 18	\$ 131

	Student loan bonds	Debt securities- Auction-rate securities only Municipal revenue bonds	Total
Balances at February 27, 2010	\$ 261	\$ 19	\$ 280
Changes in unrealized losses included in other comprehensive income			
Sales	(142)	(1)	(143)
Interest received	(1)		(1)
Balances at November 27, 2010	\$ 113	\$ 18	\$ 131

	Student loan bonds	Debt securities- Auction-rate securities only Municipal revenue bonds	Auction preferred securities	Total
Balances at August 29, 2009	\$ 278	\$ 20		\$ 298
Changes in unrealized gains included in other comprehensive income				
Sales	(14)			(14)
Balances at November 28, 2009	\$ 264	\$ 20		\$ 284

	Student loan bonds	Debt securities- Auction-rate securities only Municipal revenue bonds	Auction preferred securities	Total
Balances at February 28, 2009	\$ 276	\$ 24	\$ 14	\$ 314
Changes in unrealized gains included in other comprehensive income	5		1	6
Sales	(17)	(4)	(15)	(36)
Balances at November 28, 2009	\$ 264	\$ 20		\$ 284

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

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Money Market Funds. Our money market fund investments were classified as Level 1 or 2. If a fund is not trading on a regular basis, and we have been unable to obtain pricing information on an ongoing basis, we classify the fund as Level 2.

U.S. Treasury Bills. Our U.S. Treasury notes were classified as Level 1 as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

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 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.

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Auction-Rate Securities. Our investments in ARS were classified as Level 3 as quoted prices were unavailable due to events described in Note 2, *Investments*. 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 Equity Securities. Our marketable equity securities were measured at fair value using quoted market prices. They were classified as Level 1 as they trade in an active market for which closing stock prices are readily available.

Deferred Compensation. Our deferred compensation liabilities and 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

Measurements to fair value on a nonrecurring basis relate primarily to our tangible fixed assets, goodwill and other intangible assets and occur when the derived fair value is below carrying value on our condensed consolidated balance sheet. During the nine months ended November 27, 2010, and November 28, 2009, we had no significant remeasurements of such assets or liabilities to fair value.

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 short- and long-term debt. The fair values of cash, receivables, accounts payable, other payables and short-term debt approximated carrying values because of the short-term nature of these instruments. 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.

4. Goodwill and Intangible Assets

The changes in the carrying values of goodwill and indefinite-lived tradenames by segment were as follows in the nine months ended November 27, 2010, and November 28, 2009:

Goodwill

Indefinite-lived Tradenames

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	Domestic			International			Total					
Balances at February 27, 2010	\$	434	\$	2,018	\$	2,452	\$	32	\$	80	\$	112
Sale of business(1)		(12)				(12)		(1)				(1)
Acquisition of noncontrolling interests				5		5						
Changes in foreign currency exchange rates				(4)		(4)				2		2
Balances at November 27, 2010	\$	422	\$	2,019	\$	2,441	\$	31	\$	82	\$	113

(1) As a result of the sale of our Speakeasy business in the second quarter of fiscal 2011, we wrote off the carrying value of the goodwill and indefinite-lived tradenames associated with such business as of the date of sale. See Note 13, *Sale of Business*, for additional information regarding the sale.

	Goodwill			Indefinite-lived Tradenames								
	Domestic	International	Total	Domestic	International	Total						
Balances at February 28, 2009	\$	434	\$	1,769	\$	2,203	\$	32	\$	72	\$	104
Adjustments to purchase price allocation				43		43						
Changes in foreign currency exchange rates				175		175				8		8
Balances at November 28, 2009	\$	434	\$	1,987	\$	2,421	\$	32	\$	80	\$	112

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The following table provides the gross carrying values and related accumulated amortization of definite-lived intangible assets:

	November 27, 2010		February 27, 2010		November 28, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Tradenames	\$ 74	\$ (42)	\$ 75	\$ (28)	\$ 74	\$ (23)
Customer relationships	387	(167)	401	(122)	395	(103)
Total	\$ 461	\$ (209)	\$ 476	\$ (150)	\$ 469	\$ (126)

Total amortization expense was \$20 and \$24 for the three months ended November 27, 2010, and November 28, 2009, respectively, and was \$63 and \$66 for the nine months then ended, respectively. The estimated future amortization expense for identifiable intangible assets is as follows:

Fiscal Year	
Remainder of fiscal 2011	\$ 19
2012	61
2013	44
2014	40
2015	35
Thereafter	53

5. Restructuring Charges

In the fourth quarter of fiscal 2009, we implemented a restructuring plan for our domestic and international businesses to support our long-term growth plans and, accordingly, we recorded charges of \$78 related primarily to voluntary and involuntary separation plans at our corporate headquarters. In addition, in the first quarter of fiscal 2010, we incurred restructuring charges of \$52 related to employee termination benefits and business reorganization costs at our U.S. Best Buy stores and Best Buy Europe. No restructuring charges were recorded in the remainder of fiscal 2010 or in the first nine months of fiscal 2011.

All charges related to our restructuring plan were presented as restructuring charges in our consolidated statements of earnings. The composition of our restructuring charges incurred in the nine months ended November 27, 2010, and November 28, 2009, as well as the cumulative amount incurred through November 27, 2010, for both the Domestic and International segments, were as follows:

	Domestic			International			Total		
	Nine months ended November 27, 2010	Nine months ended November 28, 2009	Cumulative Amount through November 27, 2010	Nine months ended November 27, 2010	Nine months ended November 28, 2009	Cumulative Amount through November 27, 2010	Nine months ended November 27, 2010	Nine months ended November 28, 2009	Cumulative Amount through November 27, 2010
Termination benefits	\$	\$ 25	\$ 94	\$	\$ 26	\$ 32	\$	\$ 51	\$ 126
Facility closure costs			1			1			2

