

<b>Company: Best Buy Co.</b>	<b>Ticker: BBY</b>	<b>Current Price: \$108.5</b>	<b>Industry: Retail</b>	<b>Sub Industry: Consumer &amp; Electronics Retail</b>
Target Price: \$122.26 Stop Loss: \$87 52 Week High/ Low: \$128.58/95.93	TTM P/E: 10.3 Forward P/E: 12.52 EPS: 7.68		Beta: 1.26 Credit Rating: BBB+ Rating Outlook: Stable	Market Cap: Avg Vol ( 12 M): 2.24 mm Dividend Yield: 2.6%

#### Company Background:

**Best Buy** is an American multinational retailer that specializes in consumer electronics. Best Buy also sells a variety of other items such as software, video games, cameras, and house appliances. The company's subsidiaries include Geek Squad, Magnolia Audio Video, and Pacific Sales. The company's main focus so far has been to keep their market niche, increase their e-commerce presence, and add a newly improved subscription program.

#### Industry Outlook:

The consumer electronics industry has surged due to the recent pandemic. With the shift to working from home and online school companies within this sector have begun to shift to e-commerce. The industry grew almost 10% between 2020 and 2021 and is projected to grow in following years as well. Due to recent reliance on technology of all kinds, many consumers will continue to shop within this sector. We believe that with technological advancements and the want to continue to work from home, consumers will continue to increase and update technology they have.

#### Investment Thesis:

BBY remains one of the strongest players within their industry. With the market niche that they have provided for themselves, they do not truly have direct competitors. By adding a new subscription program, Best Buy TotalTech Support, and adding to their e-commerce they are creating a larger more efficient base for BBY to continue to prosper. TotalTech and Geek Squad will serve as the main foundation of growth for the company now and in the future.

#### Investment Risks:

- Any additional spread of COVID-19 variants may require new lockdowns, change consumer preference, or call for new restrictions. Although BBY shifted to a successful digital format with the shift due to the pandemic in 2020.
- Dependence on holiday season sales with 35% of sales and 48% of earnings in FY20-Q4. Yet, strong consumer demand for technology recently has allowed for a less promotional environment and an increase in profit.
- Price Gouging in the retail industry due to price competition. But, with BBY's competitive advantage of brick-and-mortar stores and price match guarantee can provide an advantage.

#### 3-5 take away from last quarter investor call transcript:

- Online sales were 32% of domestic revenues compared to 16% of the previous quarter
- Higher gross profit rate driven from improved product margin rates, rate leverage, and higher profit sharing revenue.
- Multiple pilot approaches will be launched: A holistic approach in Charlotte, an outlet pilot, and a virtual store. A virtual store pilot consists of a physical store that can be accessed completely virtual with no physical customers.
- Membership for Total Tech will grow faster than TotalTech Support as seen play out in the Pilot program.

#### Financial Performance:

	2017	2018	2019	2020	2021	Q1-2022	Q2-2022
Revenue	39,403M	42,151M	42,879M	43,638M	47,262M	29,114M	27,784M
Operating Profit	1,733M	1,942M	1,975M	2,053M	2,647M	727M	801M
Net Income	1,228M	1,000M	1,464M	1,541M	1,798M	595M	734M
Revenue Growth %	-3%	7%	1.7%	1.8%	8.3%	35.9% (YoY)	19.6% (YoY)
EBITDA%	6.1%	6.2%	6.4%	8.3%	9.0%	8.1%	8.6%
Operating Profit %	4.3%	2.4%	3.4%	3.5%	3.8%	2.5%	2.9%
Net Income Margin	2.8%	2.6%	3.5%	3.6%	4.3%	4.8%	6.2%
D/E	28.99	37.51	41.98	116.96	88.99	95.98	94.58
EPS	3.47	3.58	5.29	5.87	7.68	2.20	2.92
PE Ratio	12.52	19.89	11.06	14.42	14.17	12.55	10.67
Current Ratio	1.48	1.26	1.18	1.1	1.19	1.17	1.16
ROE	27.03	24.04	42.32	45.42	44.58	59.04	62.52
ROA	8.97	7.43	11.28	10.82	10.38	13.41	14.09
Dividend Per share	1.12	1.36	1.80	2.00	2.20	0.70	0.70
FCF	1,977	2,474	2,133	2,213	946	-56	597

#### Discounted Cash Flow

	2018-2022	2023-2027
Avg Revenue growth	5.8%	2.4%
Avg Gross Margin	23%	23%
Avg EBIT Margin	4.9%	5.0%
Avg NOPLAT Margin	3.6%	3.8%
Avg FCF / Margin	4.4%	3.9%
Tax Rate		23%
Hurdle Rate		9%
Perpetuity growth rate		2%

#### Analyst Opinion

Buy: 12	Hold: 12	Sell: 3
	Rating	Target
S&P Net Advantage	Buy	\$140
Morning Star	---	\$132
Value Line	Timeliness: 3	\$141

## Relative Valuation

	BBY	AMZN	WMT	LOW	COST	*Peer Group Avg
P/E	10.34	57.84	22.5	19.26	40	29.9
P/B	6.22	14.63	4.84	--	11.5	9.2
Dividend Yield	2.6%	--	1.6%	1.5%	.7%	1.6%
PEG Ratio	.46	.97	2.29	.44	1.04	1.04
EPS	7.68	41.77	5.48	9.01	12.3	15.2
Revn Grth	8.3%	37.6%	6.7%	24.2%	17.5%	18.9%
NI Grth	28.3%	83.8%	10.3%	47.11%	35.9%	41%
Operating Margin	3.8%	5.9%	6.1%	11.0%	3.7%	6.1%
Debt / Equity	88.9	107.6	72.2	1,829.9	57.6	431.3
Market Cap	26.7B	1.68T	389.8B	144.5B	202.3B	488.7B
Revenue TTM	52,276M	443,98M	566,145M	94,612M	195,929M	227,240M
Net Income TTM	2,729M	29,438M	17,526M	7,842M	5,088M	12,524M
FCF TTM	1,307M	7,065M	17,827M	4,283M	5,370M	7,170M

\*Includes Companies Listed

## Total Return

	BBY	Retail Sector	S&P 500
YTD	9.3%	43.5%	17.8%
LTM	-4.7%	73.5%	29.3%
Last 3 Years	50.4%	90.9%	52.3%
Last 5 Years	180.5%	110.5%	105.4%

## CSR Characteristics

	BBY	Peers
Governance Disclosure Score	71	63
ESG Disclosure:	50	41
Social Disclosure Score	33	37
Environmental Disclosure Score	47	32

Prepared by Alexis Davitashvili and Nick Kinsella using Bloomberg, Value Line, S&P Net Advantage, Morning Star, Yahoo Finance