

Best Buy Co. Inc.

S&P Recommendation **BUY** ★★★★★

Price
\$31.86 (as of Aug 27, 2010)

12-Mo. Target Price
\$50.00

Investment Style
Large-Cap Growth

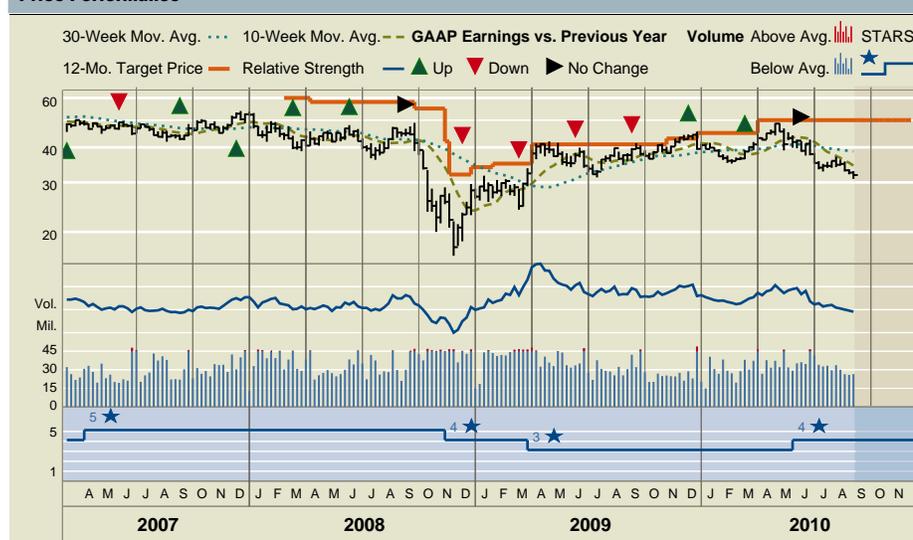
GICS Sector Consumer Discretionary
Sub-Industry Computer & Electronics Retail

Summary This leading retailer of consumer electronics and entertainment software operates approximately 4,000 stores in the U.S., Canada, China and Europe.

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$48.83– 30.90	S&P Oper. EPS 2011 E	3.48	Market Capitalization(B)	\$13.283	Beta	1.39
Trailing 12-Month EPS	\$3.09	S&P Oper. EPS 2012 E	3.79	Yield (%)	1.88	S&P 3-Yr. Proj. EPS CAGR(%)	8
Trailing 12-Month P/E	10.3	P/E on S&P Oper. EPS 2011 E	9.2	Dividend Rate/Share	\$0.60	S&P Credit Rating	BBB-
\$10K Invested 5 Yrs Ago	\$7,336	Common Shares Outstg. (M)	416.9	Institutional Ownership (%)	74		

Price Performance



Options: ASE, CBOE, P, Ph

Analysis prepared by **Michael Souers** on June 16, 2010, when the stock traded at **\$38.38**.

Highlights

- We view BBY as the best-of-class U.S. consumer electronics retailer, based on its digital product focus, knowledgeable sales staff, and effective marketing campaigns. We think BBY's focus on advanced TVs, notebook computers, video gaming devices and mobile phones will support solid revenue growth near term.
- We project a 6.0% increase in revenues for FY 11 (Feb.), following a 10% advance in FY 10. We expect this growth to be driven by the opening of approximately 50-55 net new Best Buy stores worldwide, 75-100 Best Buy Mobile standalone stores and 10-15 Five Star stores in China. We also project a 2% increase in comparable-store sales, given our forecast that consumer spending will remain pressured by macro factors. We expect a modest increase in operating margins, driven by a product mix shift and solid expense management in concert with comp-store sales growth.
- After taxes at an effective rate of 38.2% and flat interest expense, we project FY 11 EPS of \$3.48, a 10% increase from the \$3.15 the company earned in FY 10, excluding a restructuring charge. We see FY 12 EPS of \$3.79.

Investment Rationale/Risk

- We favor BBY's recent decision to curb capital spending and strictly manage SG&A expenses in the current challenging macroeconomic environment. We also expect continued market share gains as BBY's customer-centric model should enable the company to continue to differentiate itself in a competitive marketplace. However, we are concerned that the industry faces a potential saturation of flat-panel TVs in the near term, and we think mass adoption of revolutionary products such as 3-D TVs may be several years away. Following a recent decline in the stock price, we think the shares are attractively valued at about 11X our FY 11 EPS estimate, a modest discount to historical averages and to the S&P 500.
- Risks to our recommendation and target price include sharp deterioration in the economic climate and consumer confidence, and failure to successfully execute strategic objectives.
- Our 12-month target price of \$50, about 14X our FY 11 EPS projection, is based on our DCF analysis, which assumes a weighted average cost of capital of 10.6% and a terminal growth rate of 3.5%.

Qualitative Risk Assessment

LOW	MEDIUM	HIGH
------------	---------------	-------------

Our risk assessment reflects what we view as BBY's strong balance sheet, sizable market share, numerous suppliers and buyers, and a history of profitability, offset by a highly competitive environment for consumer electronics retailing, with numerous rivals and strong price competition.

Quantitative Evaluations

S&P Quality Ranking **B+**

D	C	B-	B	B+	A-	A	A+
---	---	----	---	-----------	----	---	----

Relative Strength Rank **WEAK**

LOWEST = 1	20	HIGHEST = 99
------------	-----------	--------------

Revenue/Earnings Data

Revenue (Million \$)	1Q	2Q	3Q	4Q	Year
2011	10,787	--	--	--	--
2010	10,095	11,022	12,024	16,553	49,694
2009	8,990	9,801	11,500	14,724	45,015
2008	7,927	8,750	9,928	13,418	40,023
2007	6,959	7,603	8,473	12,899	35,934
2006	6,118	6,702	7,335	10,693	30,848

Earnings Per Share (\$)	2011	2010	2009	2008	2007	2006
2011	0.36	E0.48	E0.68	E1.97	E3.48	
2010	0.36	0.37	0.53	1.82	3.10	
2009	0.43	0.48	0.13	1.35	2.39	
2008	0.39	0.48	0.53	1.71	3.12	
2007	0.47	0.47	0.31	1.55	2.79	
2006	0.34	0.37	0.28	1.29	2.27	

Fiscal year ended Feb. 28. Next earnings report expected: Mid September. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.140	03/26	04/13	04/15	05/06/10
0.140	06/16	07/01	07/06	07/27/10
0.150	06/24	10/01	10/05	10/26/10

Dividends have been paid since 2003. Source: Company reports.

Best Buy Co. Inc.**Business Summary June 16, 2010**

CORPORATE OVERVIEW. This leading consumer electronics retailer operated, as of February 27, 2010, 1,069 Best Buy stores, 74 Best Buy Mobile stand-alone stores, 35 Pacific Sales showrooms, eight Magnolia Audio Video stores and six Geek Squad stand-alone stores in the U.S. BBY also operated 887 Carphone Warehouse and 1,566 The Phone House Stores in Europe, 64 Canada Best Buy stores, 144 Future Shop stores in Canada, 158 Five Star stores in China, six Best Buy China stores, five Best Buy Mexico stores and one Best Buy Turkey store as of February 27, 2010.

U.S. Best Buy stores average approximately 39,000 retail square feet, and offer products in six revenue categories: consumer electronics (39% of FY 10 (Feb.) revenues), home office (34%), entertainment software (16%), appliances (4%), services (6%), and other (1%). Best Buy's largest category, consumer electronics, includes products such as televisions, digital cameras and accessories, digital camcorders and accessories, e-readers, DVD players, MP3 players and accessories, musical instruments, navigation products, home theater audio systems and components, and mobile electronics including car stereo and satellite radio products.

CORPORATE STRATEGY. BBY's business strategy centers on meeting individual consumer electronics needs with end-to-end solutions, which involves greater employee involvement and increased services. BBY is committed to scaling BBY customer-centricity across the organization, and completed the transition of all remaining stores to the customer-centric operating model in FY 08. In FY 11, BBY plans to open 50-55 new Best Buy stores, the majority of which will be in the U.S., 75-100 small-format stores, primarily Best Buy Mobile stand-alone stores, and 10-15 Five Star stores in China.

BBY sees an opportunity to expand to 1,200-1,400 superstores in North America. Based on our expectations for approximately 50 net new store openings per year in North America, we believe BBY has about five years of organic growth potential from its core business. However, we expect the majority of new store openings to be in smaller 20,000 square foot locations, compared to BBY's average store square footage of 39,000. We look for international expansion to provide much of the growth in future years. In total, we project a five-year square footage compound annual growth rate (CAGR) in the mid-single digits.

IMPACT OF MAJOR DEVELOPMENTS. On June 28, 2008, Best Buy acquired a 50% stake in Best Buy Europe for \$2.1 billion, net of cash acquired. Best Buy Europe is the company's venture with Carphone Warehouse (CPW), consisting of CPW's retail and distribution business comprised of more than 2,400 stores, its online and direct business, insurance operations and mobile and fixed-line telecommunication businesses. The transaction also included CPW's economic interests in Best Buy Mobile in the U.S. and Geek Squad in the U.K. and Spain. Best Buy Europe is Europe's largest independent mobile phone retailer.

On October 25, 2008, BBY completed its acquisition of Napster for \$100 million, net of cash acquired. Napster is an online provider of digital music. The acquisition should allow BBY to expand the number of digital music and entertainment subscribers over an increasing array of devices.

In February 2009, BBY acquired the remaining 25% interest in Jiangsu Five Star Appliance Co. Ltd. for \$196 million.

FINANCIAL TRENDS. Operating EPS grew at a three-year compound annual growth rate (CAGR) of 4.1% from FY 07 through FY 10. We expect BBY to generate EPS growth of approximately 8% over the next three years, driven largely by modest sales increases and a widening of operating margins due to improved pricing power -- a result of recent bankruptcies within the consumer electronics retail sector.

In the three years through FY 10, BBY posted a CAGR in sales of 11.4%, in line with the Computer and Electronics Retail sub-industry average CAGR of 11%. We believe BBY's growth has largely been a function of new store growth and acquisitions, as same-store sales growth has averaged a 0.7% increase over the past three years.

BBY's FY 10 return on invested capital (ROIC) was 17.6%, above the ROIC for the Computer and Electronics Retail sub-industry of 15.9% and far better than the Consumer Discretionary sector average of 7.1%. Going forward, we expect BBY to continue to generate an ROIC that is above the sub-industry and sector averages.

Corporate Information**Investor Contact**

J. Driscoll (612-291-6110)

Office7601 Penn Avenue South, Richfield, MN
55423-3683.**Telephone**

612-291-1000.

Fax

952-947-2422.

Email

moneytalk@bestbuy.com

Website<http://www.bestbuy.com>**Officers****Chrmn**

R.M. Schulze

**EVP & Chief Admin
Officer**

T.R. Sheehan

CEO

B.J. Dunn

SVP & Treas

R. Robinson

EVP & CFO

J.L. Muehlbauer

Board Members

L. M. Caputo

B. J. Dunn

K. J. Higgins

R. James

E. S. Kaplan

S. Khosla

G. L. Mikan, III

M. H. Paull

R. M. Rebolledo

R. M. Schulze

H. Tyabji

G. R. Vittecoq

Domicile

Minnesota

Founded

1966

Employees

180,000

Stockholders

3,405

Best Buy Co. Inc.

Quantitative Evaluations

S&P Fair Value Rank	5	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation	\$41.20	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that BBY is Undervalued by \$9.34 or 29.3%.
-------------------------------	---------	-------------------------------------------------------------------------------------------------------------------------------------------

Investability Quotient Percentile	88
	LOWEST = 1 HIGHEST = 100
	BBY scored higher than 88% of all companies for which an S&P Report is available.

Volatility	LOW	AVERAGE	HIGH
-------------------	-----	---------	------

Technical Evaluation	BEARISH	Since May, 2010, the technical indicators for BBY have been BEARISH.
-----------------------------	---------	----------------------------------------------------------------------

Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
-------------------------	-------------	---------	-----------

Expanded Ratio Analysis

	2010	2009	2008	2007
Price/Sales	0.27	0.37	0.32	0.73
Price/EBITDA	4.24	5.95	4.64	10.42
Price/Pretax Income	6.20	9.78	5.72	12.27
P/E Ratio	10.34	16.64	9.05	18.97
Avg. Diluted Shares Outstg (M)	427.5	422.9	452.9	496.2

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	10.39	11.52	12.79	13.51
Net Income	31.31	-4.61	3.95	13.35

Ratio Analysis (Annual Avg.)

Net Margin (%)	2.65	2.80	3.18	3.16
% LT Debt to Capitalization	13.62	14.78	11.25	14.10
Return on Equity (%)	22.69	23.67	23.71	24.25

Company Financials Fiscal Year Ended Feb. 28

Per Share Data (\$)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	8.19	4.70	7.99	10.82	9.60	7.91	5.97	4.70	3.65	3.07
Cash Flow	5.25	4.25	4.40	3.80	3.16	2.76	2.41	1.91	1.91	1.18
Earnings	3.10	2.39	3.12	2.79	2.27	1.86	1.63	1.27	1.18	0.83
S&P Core Earnings	3.10	2.77	3.12	2.76	2.27	1.77	1.45	1.11	1.08	0.76
Dividends	0.56	0.54	0.46	0.36	0.31	0.50	0.27	Nil	Nil	Nil
Payout Ratio	18%	23%	15%	13%	14%	38%	17%	Nil	Nil	Nil
Calendar Year	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Prices:High	45.55	52.98	53.90	59.50	18.03	41.47	41.80	35.83	33.42	39.50
Prices:Low	23.97	16.42	41.85	43.32	14.84	29.25	15.77	11.33	12.36	9.33
P/E Ratio:High	15	22	17	21	14	22	26	28	28	48
P/E Ratio:Low	8	7	13	16	11	16	10	9	10	11

Income Statement Analysis (Million \$)

Revenue	49,694	45,015	40,023	35,934	30,848	27,433	24,547	20,946	19,597	15,327
Operating Income	3,213	2,807	2,746	2,508	2,100	1,901	1,699	1,320	1,246	772
Depreciation	926	793	585	509	456	459	385	310	309	167
Interest Expense	94.0	94.0	62.0	Nil	30.0	44.0	31.0	25.0	2.00	6.90
Pretax Income	2,196	1,707	2,225	2,130	1,721	1,443	1,296	1,014	936	642
Effective Tax Rate	36.5%	39.5%	36.6%	35.3%	33.8%	35.3%	38.3%	38.7%	39.1%	38.3%
Net Income	1,317	1,003	1,407	1,377	1,140	934	800	622	570	396
S&P Core Earnings	1,317	1,163	1,407	1,364	1,140	873	704	538	512	361

Balance Sheet & Other Financial Data (Million \$)

Cash	1,916	498	1,438	1,205	681	470	2,600	1,914	1,855	747
Current Assets	10,566	8,192	7,342	9,081	7,985	6,903	5,724	4,867	4,611	2,929
Total Assets	18,302	15,826	12,758	13,570	11,864	10,294	8,652	7,663	7,375	4,840
Current Liabilities	8,978	8,435	6,769	6,301	6,056	4,959	4,501	3,793	3,730	2,715
Long Term Debt	1,104	1,126	627	590	178	528	482	828	813	181
Common Equity	6,964	4,643	4,484	6,201	5,257	4,449	3,422	2,730	2,521	1,822
Total Capital	8,103	6,071	5,151	6,826	5,435	4,977	3,904	3,558	3,334	2,003
Capital Expenditures	615	1,303	797	733	648	502	545	725	627	658
Cash Flow	2,243	1,796	1,992	1,886	1,596	1,393	1,185	932	925	563
Current Ratio	1.2	1.0	1.1	1.4	1.3	1.4	1.3	1.3	1.2	1.1
% Long Term Debt of Capitalization	13.6	18.6	12.2	8.6	3.3	10.6	12.3	23.3	24.4	9.0
% Net Income of Revenue	2.7	2.2	3.5	3.8	3.7	3.4	3.3	3.0	2.9	2.6
% Return on Assets	7.7	7.0	10.7	10.8	10.3	9.9	9.8	8.3	9.3	10.1
% Return on Equity	22.7	22.0	26.3	24.0	23.5	23.7	26.0	23.8	26.2	27.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Best Buy Co. Inc.

Sub-Industry Outlook

Our fundamental outlook for the computer and electronics retail sub-industry is neutral. In comparison to many other consumer-related industries, we think the consumer electronics cycle remains relatively healthy, driven by hot products such as netbooks, tablet computers, MP3 players, smartphones, video game consoles and e-book readers. With expectations for continued declines in average selling prices for advanced televisions, we think these products are becoming more affordable to average consumers. However, flat-panel TVs may be nearing saturation, in our view, and we expect flattish sales in this important category in 2010. The Consumer Electronics Association (CEA) is projecting a 3.0% increase in overall electronics sales in 2010, to \$175 billion, following a 6.5% sales decline in 2009. We expect that weak consumer spending and a lack of revolutionary products may lead to downward revisions to this 2010 estimate, as we see sales rising only marginally in 2010. As for competition, we think retailers that best differentiate themselves, either through service, marketing or product mix, will benefit. Industry consolidation is likely to continue given the fierce competitive landscape.

We expect further development and increased adoption of digital products to boost future sales of consumer electronics. At this point in the cycle, we see declines in average selling prices, which we think are hurting manufacturers, helping drive demand and benefiting retail sales. As new products are introduced, we think management of inventories and product mix will become increasingly important in determining which retailers will be the most successful.

Longer term, we look for an increasing convergence between computers, televisions, cameras and telecommunications equipment. This should include

portable devices that make it increasingly easy to access information and entertainment. As for the impact of the Internet, we think the rising availability of entertainment for downloading from home is likely to hurt long-term sales of prerecorded disks at stores. Also, we expect that retailers will have increasing opportunities to sell devices that play downloaded content and possibly sell new subscription services for music and video.

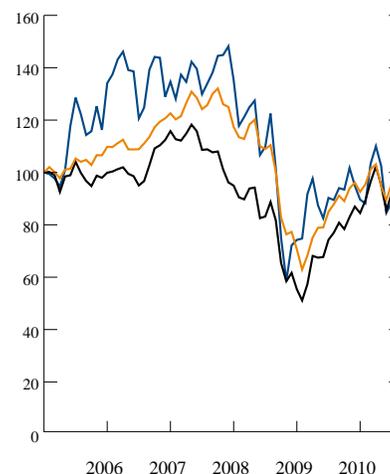
Year to date through August 20, the S&P Computer & Electronics Retail Index decreased 13.4%, underperforming the 3.4% decline in the S&P 1500 Index. In 2009, this sub-industry modestly outperformed, advancing 31.6% compared to a 24.3% increase in the S&P 1500 Index.

--Michael Souers

Stock Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Computer & Electronics Retail

Based on S&P 1500 Indexes
Month-end Price Performance as of 07/30/10



Sub-Industry Sector S&P 1500

NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Computer & Electronics Retail Peer Group*: Retailers/Resellers

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Best Buy	BBY	13,283	31.86	48.83/30.90	1.39	1.9	10	41.60	B+	88	2.6	13.6
Circuit City Stores	CCTYQ	1	0.01	0.07/0.01	NM	Nil	NM	NA	D	14	NM	3.6
GameStop Corp 'A'	GME	2,778	18.33	28.62/17.12	1.09	Nil	8	29.80	B+	95	4.2	14.1
Glentel Inc	GLN.C	214	19.35	19.99/12.50	NA	2.0	13	NA	NR	NA	5.2	0.8
RadioShack Corp	RSH	2,345	18.70	24.00/14.76	1.79	1.3	11	21.60	B+	94	4.8	37.5

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Best Buy Co. Inc.**S&P Analyst Research Notes and other Company News****August 25, 2010**

Best Buy Co. Inc. named Aura Oslapas, age 53, senior vice president and chief design officer, effective September 15, 2010. In her new role, Oslapas will lead Best Buy's design and brand identity team worldwide. Oslapas has more than 25 years experience in design, most recently serving as principal of A+O Design Methods, a boutique design agency in San Francisco. During her career, Oslapas has held leadership positions at organizations such as Esprit de Corp, IDEO and Stone Yamashita Partners. She has served a variety of consumer and technology clients, including Hewlett-Packard, Target, Liz Claiborne, Apple, Logitech, McDonald's and Amtrak. In addition, her work has been recognized with awards from IDEA/BusinessWeek, AIGA the American Institute of Architects, ID and Interiors Magazine.

July 9, 2010

DOWN 0.46 to 33.94... Jefferies downgrades BBY to hold from buy. Co. unavailable....

July 9, 2010

08:09 am ET ... BEST BUY CO., INC. (BBY 34.4) UNCHANGED, JEFFERIES DOWNGRADES BEST BUY (BBY) TO HOLD FROM BUY... Analyst Daniel Binder tells salesforce, while BBY shares look cheap, they may stay cheap as he thinks sales trends may be eroding further from Q1 levels. Says difficult comparisons and negative sentiment could keep the multiple under pressure if sales are depressed against easy comparisons. Downgrades BBY on concerns about continued softness in consumer electronic sales. Cuts \$3.45 FY 11 (Feb.) EPS estimate to \$3.04, \$3.93 FY 12 to \$3.48. Lowers target price to \$36 from \$50./Trombino

July 2, 2010

Best Buy Co. Inc. announced that Brad Anderson has retired from the company's board of directors. Anderson served on the board for 24 years, the last nine as vice chairman. Anderson joined the company that would become Best Buy in 1973, working the sales floor at a Sound of Music store. He worked his way up to CEO in 2002. Also retiring from the board was Frank Trestman, 72, president of the Minneapolis investment and business development firm Trestman Enterprise, and Allen Lenzmeier, 65, the company's former chief financial officer and chief operating officer.

June 24, 2010

BBY raises its quarterly cash dividend to \$0.15 per share, a 7% increase from prior \$0.14 per share.

June 15, 2010

BBY posts \$0.36 vs. \$0.42 adj. Q1 EPS as higher SG&A costs offset 2.8% higher same-store sales, 6.9% higher total sales. Says higher SG&A spending was driven by the addition of new stores, expanded investments in several key growth initiatives, the timing of discretionary expenditures and the impact of other non-recurring items. Reiterates its FY 11 outlook and EPS guidance as provided on March 25, 2010.

June 15, 2010

11:55 am ET ... S&P REITERATES BUY RECOMMENDATION ON SHARES OF BEST BUY (BBY 38.51****): Excluding one-time items, May-Q EPS of \$0.36, vs. \$0.42, is \$0.16 shy of our estimate. Comp-store sales rose 2.8%, just short of our projection, but timing of investments caused significant SG&A deleverage. While we are concerned by TV sales slowdown, we think growth in mobile phones will help offset this weakness. We are lowering our FY 11 (Feb.) EPS estimate to \$3.48 from \$3.51, but keeping FY 12's at \$3.79 and also maintaining our DCF-based target price of \$50. We view BBY as attractive and recommend purchase. /M. Souers

May 25, 2010

02:41 pm ET ... S&P UPGRADES RECOMMENDATION ON SHARES OF BEST BUY TO BUY FROM HOLD (BBY 40.38****): Following a nearly 20% decline in share price, we now view shares as attractively valued, trading at 11.5X our FY 11 EPS estimate of \$3.51, a modest discount to the S&P 500. While we remain cautious regarding the macroenvironment and have industry-specific concerns related to the potential saturation of flat-panel TVs, BBY continues to execute well and captures share from peers. In addition to trading at what we see as an attractive P/E, BBY's strong balance sheet and generation of free cash are appealing to us.

We are keeping our 12-month DCF-based target price of \$50. /M. Souers

May 21, 2010

09:14 am ET ... S&P REITERATES STRONG BUY OPINION ON SHARES OF GOOGLE (GOOG 475.01****): Google announces Google TV, which will essentially allow Internet content and applications to be seen and used via televisions. Google TV will include GOOG's Chrome browser and employ the company's search technology to enable users to more easily find shows and videos they are looking for. Announced partners include Logitech (LOGI 14, Hold), Sony (SNE 31, Sell) and Best Buy (BBY 41, Hold). While numerous efforts at "Internet TV" have failed over the years, we think there is considerable potential for Google TV, given advanced open platform and broadband technologies. /S.Kessler

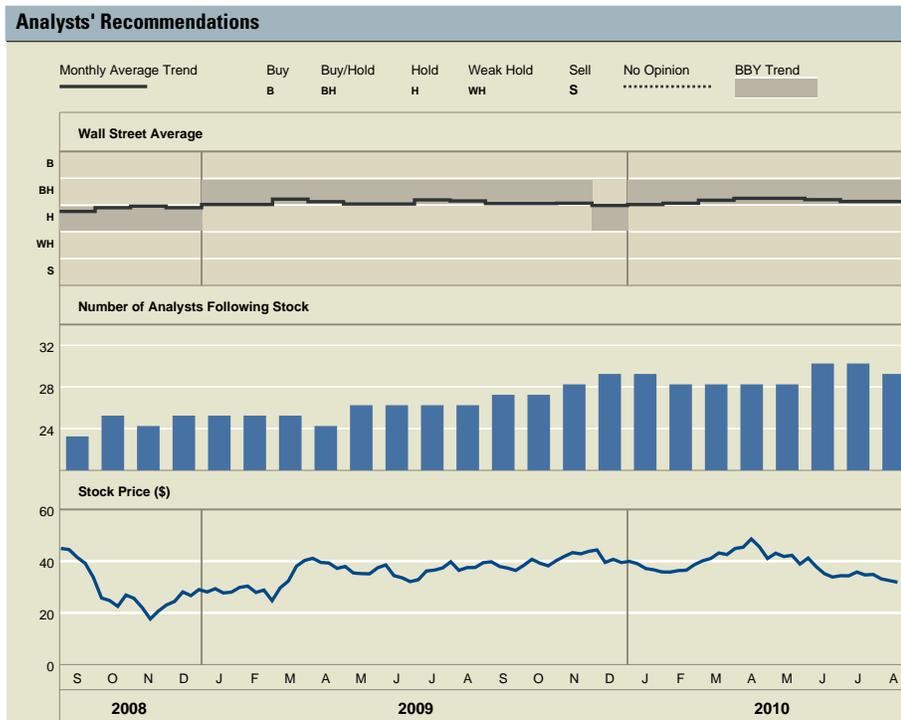
April 29, 2010

Best Buy Co. Inc. announced that it has named Bill Hoffman senior vice president, consumer insights. In this role, Hoffman is driving key decision making and high level strategy for company's customer insights unit, which is responsible for analyzing consumer data and trends to generate actionable consumer insight. Most recently, Hoffman was a senior expert in the Minneapolis office of McKinsey's Strategy Practice where he served as a leader in its Global Forces service line and in McKinsey's Center for Managing Uncertainty.

April 12, 2010

11:13 am ET ... S&P MAINTAINS SELL RECOMMENDATION ON SHARES OF BARNES & NOBLE (BKS 22.82**): BKS announced an exclusive partnership with Best Buy (BBY 45****) to distribute the Nook, BKS' e-book reader device, and will also feature BKS' free BN eReader software on select PCs, netbooks, tablets and smartphones. We think this added distribution channel will help boost sales of the Nook in FY 11 (Apr.), and we are increasing our FY 11 EPS estimate by \$0.05 to \$0.92. We are also raising our DCF-based target price by \$2 to \$19. However, BKS faces numerous industry-related and economic challenges, and we think the shares remain expensive at about 25X our FY 11 EPS forecast. /M. Souers

Best Buy Co. Inc.



Of the total 32 companies following BBY, 29 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	4	14	4	5
Buy/Hold	9	31	11	11
Hold	16	55	15	12
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	29	100	30	28



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	3.79	4.40	3.20	28	8.4
2011	3.43	3.60	3.04	29	9.3
2012 vs. 2011	▲ 10%	▲ 22%	▲ 5%	▼ -3%	▼ -10%
Q2'12	0.56	0.65	0.50	26	56.9
Q2'11	0.46	0.55	0.35	26	69.3
Q2'12 vs. Q2'11	▲ 22%	▲ 18%	▲ 43%	0%	▼ -18%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- Argus Research Corp.
 - BB&T Capital Markets
 - Barclays Capital
 - Cleveland Research Company
 - Credit Suisse First Boston
 - Crowell Weedon & Co.
 - Deutsche Bank
 - Friedman, Billings, Ramsey & Co.
 - Goldman Sachs & Co.
 - ISI Group
 - JMP Securities
 - JP Morgan Securities
 - Janney Montgomery Scott, Inc.
 - Jefferies & Company
 - Keybank Capital Mkts
 - Merrill Lynch Research
 - Oppenheimer
 - Pacific Crest Securities
 - Piper Jaffray
 - RBC Capital Markets (US)
 - Raymond James & Assoc, Inc.
 - Robinson Humphrey Co., The
 - SG Securities
 - Sanford C Bernstein & Co., Inc.
 - Smith Barney
 - Soleil-hudson Square Research
 - Stifel Nicolaus & Co.
 - UBS Warburg
 - Wall Street Strategies
 - Wedbush Morgan

Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that BBY will earn \$3.43. For the 1st quarter of fiscal year 2011, BBY announced earnings per share of \$0.36, representing 10% of the total annual estimate. For fiscal year 2012, analysts estimate that BBY's earnings per share will grow by 10% to \$3.79.

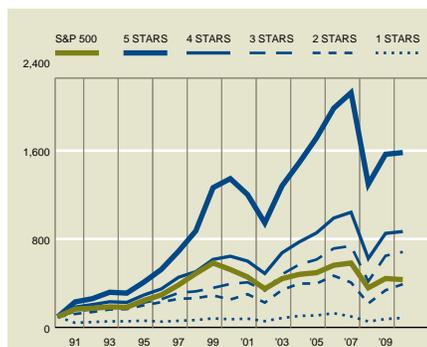
Best Buy Co. Inc.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective.

STARS Average Annual Performance



S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale:

Best Buy	Raw Score	Max Value
Proprietary S&P Measures	66	115
Technical Indicators	22	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	22	75
IQ Total	128	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; NNM - Nasdaq National Market; NSC - Nasdaq SmallCap; NYSE - New York Stock Exchange; BB - OTC Bulletin Board; OT - Over-the-Counter; TO - Toronto Stock Exchange.

S&P Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC-London; Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

Abbreviations Used in S&P Equity Research Reports

CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

Best Buy Co. Inc.**Required Disclosures****S&P Global STARS Distribution**

In North America: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services U.S. have recommended 38.2% of issuers with buy recommendations, 52.2% with hold recommendations and 9.6% with sell recommendations.

In Europe: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services Europe have recommended 35.7% of issuers with buy recommendations, 40.7% with hold recommendations and 23.6% with sell recommendations.

In Asia: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services Asia have recommended 45.3% of issuers with buy recommendations, 48.3% with hold recommendations and 6.4% with sell recommendations.

Globally: As of June 30, 2010, research analysts at Standard & Poor's Equity Research Services globally have recommended 38.4% of issuers with buy recommendations, 49.8% with hold recommendations and 11.8% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★☆☆☆☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

For All Regions: All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.**Other Disclosures**

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission and in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

Standard & Poor's or an affiliate may license certain intellectual property or provide pricing or other services to, or otherwise have a financial interest in, certain issuers of securities, including exchange-traded investments whose investment objective is to substantially replicate the returns of a proprietary Standard & Poor's index, such as the S&P 500. In cases where Standard & Poor's or an affiliate is paid fees that are tied to the amount of assets that are invested in the fund or the volume of trading activity in the fund, investment in the fund will generally result in Standard & Poor's or an affiliate earning compensation in addition to the subscription fees or other compensation for services rendered by Standard & Poor's. A reference to a particular investment or security by Standard & Poor's and one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

This company is not a customer of S&P or its affiliates.

Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. - This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia - All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng, or Ching Wah Tam.

This investment analysis was prepared from the following sources: S&P MarketScope, S&P Compustat, S&P Industry Reports, I/B/E/S International, Inc.; Standard & Poor's, 55 Water St., New York, NY 10041.