BEST BUY CO INC
Form 10-Q
September 04, 2015
Table of Contents

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 August 1, 2015

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, 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 x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

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 344,571,727 shares of common stock outstanding as of August 28, 2015.

Table of Contents

BEST BUY CO., INC.
FORM 10-Q FOR THE QUARTER ENDED AUGUST 1, 2015
TABLE OF CONTENTS

Part I — Financial Information			3
Item 1.	Financial Statements		3
	a)	Condensed Consolidated Balance Sheets as of August 1, 2015, January 31, 2015, and August 2, 2014	3
	b)	Consolidated Statements of Earnings for the three and six months ended August 1, 2015, and August 2, 2014	4
	c)	Consolidated Statements of Comprehensive Income for the three and six months ended August 1, 2015, and August 2, 2014	5
	d)	Consolidated Statements of Changes in Shareholders' Equity for the six months ended August 1, 2015, and August 2, 2014	6
	e)	Consolidated Statements of Cash Flows for the six months ended August 1, 2015, and August 2, 2014	7
	f)	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations		23
Item 3.	Quantitative and Qualitative Disclosures About Market Risk		40
Item 4.	Controls and Procedures		40
Part II — Other Information			41
Item 1.	Legal Proceedings		41
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds		41
Item 6.	Exhibits		42
Signatures			43

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
($ in millions) (unaudited)

	August 1, 2015	January 31, 2015	August 2, 2014
Assets			
Current assets			
Cash and cash equivalents	$1,800	$2,432	$2,141
Short-term investments	1,695	1,456	939
Receivables, net	1,025	1,280	1,005
Merchandise inventories	4,995	5,174	5,583
Other current assets	730	703	943
Current assets held for sale	—	684	—
Total current assets	10,245	11,729	10,611
Property and equipment, net	2,235	2,295	2,532
Goodwill	425	425	425
Intangibles, net	18	57	100
Other assets	610	583	681
Non-current assets held for sale	33	167	—
Total assets	$13,566	$15,256	$14,349
Liabilities and equity			
Current liabilities			
Accounts payable	$4,680	$5,030	$5,244
Unredeemed gift card liabilities	371	411	371
Deferred revenue	316	326	442
Accrued compensation and related expenses	285	372	287
Accrued liabilities	778	782	796
Accrued income taxes	26	230	68
Current portion of long-term debt	382	41	43
Current liabilities held for sale	—	585	—
Total current liabilities	6,838	7,777	7,251
Long-term liabilities	879	881	976
Long-term debt	1,227	1,580	1,592
Long-term liabilities held for sale	—	18	—
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 — 344,258,000, 351,468,000 and 349,548,000 shares, respectively	34	35	35
Additional paid-in capital	198	437	348
Retained earnings	4,092	4,141	3,649
Accumulated other comprehensive income	298	382	494
Total Best Buy Co., Inc. shareholders’ equity	4,622	4,995	4,526

Noncontrolling interests	—	5	4
Total equity	4,622	5,000	4,530
Total liabilities and equity	$13,566	$15,256	$14,349

NOTE: The Consolidated Balance Sheet as of January 31, 2015, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Revenue	$8,528	$8,459	$17,086	$17,098
Cost of goods sold	6,433	6,481	12,953	13,153
Restructuring charges – cost of goods sold	(3)	—	5	—
Gross profit	2,098	1,978	4,128	3,945
Selling, general and administrative expenses	1,811	1,748	3,577	3,503
Restructuring charges	(1)	5	177	7
Operating income	288	225	374	435
Other income (expense)				
Gain on sale of investments	—	2	2	2
Investment income and other	4	6	11	10
Interest expense	(20)	(23)	(40)	(46)
Earnings from continuing operations before income tax (benefit) expense	272	210	347	401
Income tax (benefit) expense	108	73	146	(205)
Net earnings from continuing operations	164	137	201	606
Gain from discontinued operations (Note 2), net of tax benefit (expense) of $-, $(7), $3 and $(4)	—	10	92	2
Net earnings including noncontrolling interests	164	147	293	608
Net earnings from discontinued operations attributable to noncontrolling interests	—	(1)	—	(1)
Net earnings attributable to Best Buy Co., Inc. shareholders	$164	$146	$293	$607
Basic earnings per share attributable to Best Buy Co., Inc. shareholders				
Continuing operations	$0.47	$0.39	$0.57	$1.74
Discontinued operations	—	0.03	0.26	—
Basic earnings per share	$0.47	$0.42	$0.83	$1.74
Diluted earnings per share attributable to Best Buy Co., Inc. shareholders				
Continuing operations	$0.46	$0.39	$0.57	$1.73
Discontinued operations	—	0.03	0.25	—
Diluted earnings per share	$0.46	$0.42	$0.82	$1.73
Dividends declared per common share	$0.23	$0.17	$0.97	$0.34
Weighted-average common shares outstanding (in millions)				
Basic	349.6	349.3	351.0	348.4
Diluted	353.9	352.2	355.8	351.6

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net earnings including noncontrolling interests	$164	$147	$293	$608
Foreign currency translation adjustments	(32)	—	(17)	3
Unrealized loss on available-for-sale investments	—	—	—	(1)
Reclassification of foreign currency translation adjustments into earnings due to sale of business	—	—	(67)	—
Comprehensive income including noncontrolling interests	132	147	209	610
Comprehensive income attributable to noncontrolling interests	—	(1)	—	(1)
Comprehensive income attributable to Best Buy Co., Inc. shareholders	$132	$146	$209	$609

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Consolidated Statements of Change in Shareholders' Equity
($ and shares in millions) (unaudited)

	Best Buy Co., Inc.							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Best Buy Co., Inc.	Non-controlling Interests	Total
Balances at January 31, 2015	352	$ 35	$ 437	$ 4,141	$ 382	$ 4,995	$ 5	$ 5,000
Net earnings, six months ended August 1, 2015	—	—	—	293	—	293	—	293
Foreign currency translation adjustments	—	—	—	—	(17)	(17)	—	(17)
Reclassification of foreign currency translation adjustments into earnings	—	—	—	—	(67)	(67)	—	(67)
Sale of noncontrolling interest	—	—	—	—	—	—	(5)	(5)
Stock-based compensation	—	—	55	—	—	55	—	55
Restricted stock vested and stock options exercised	1	—	24	—	—	24	—	24
Issuance of common stock under employee stock purchase plan	—	—	4	—	—	4	—	4
Tax benefit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	1	—	—	1	—	1
Common stock dividends, $0.97 per share	—	—	—	(342)	—	(342)	—	(342)
Repurchase of common stock	(9)	(1)	(323)	—	—	(324)	—	(324)
Balances at August 1, 2015	344	$ 34	$ 198	$ 4,092	$ 298	$ 4,622	$ —	$ 4,622
Balances at February 1, 2014	347	$ 35	$ 300	$ 3,159	$ 492	$ 3,986	$ 3	$ 3,989
Net earnings, six months ended August 2, 2014	—	—	—	607	—	607	1	608
Foreign currency translation adjustments	—	—	—	—	3	3	—	3
Unrealized losses on available-for-sale investments	—	—	—	—	(1)	(1)	—	(1)
Stock-based compensation	—	—	41	—	—	41	—	41
Restricted stock vested and stock options exercised	2	—	13	—	—	13	—	13
Issuance of common stock under employee stock purchase plan	—	—	4	—	—	4	—	4
Tax deficit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	(10)	—	—	(10)	—	(10)
Common stock dividends, $0.34 per share	—	—	—	(117)	—	(117)	—	(117)
Balances at August 2, 2014	349	$ 35	$ 348	$ 3,649	$ 494	$ 4,526	$ 4	$ 4,530

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Six Months Ended	
	August 1, 2015	August 2, 2014
Operating activities		
Net earnings including noncontrolling interests	$293	$608
Adjustments to reconcile net earnings to total cash provided by (used in) operating activities:		
Depreciation	326	319
Restructuring charges	182	8
Gain on sale of business, net	(99)	(1)
Stock-based compensation	55	40
Deferred income taxes	(41)	(394)
Other, net	10	8
Changes in operating assets and liabilities:		
Receivables	268	301
Merchandise inventories	168	(205)
Other assets	(9)	17
Accounts payable	(335)	120
Other liabilities	(284)	(270)
Income taxes	(226)	(64)
Total cash provided by operating activities	308	487
Investing activities		
Additions to property and equipment	(293)	(258)
Purchases of investments	(1,303)	(1,194)
Sales of investments	1,064	479
Proceeds from sale of business, net of cash transferred upon sale	92	37
Change in restricted assets	(46)	26
Settlement of net investment hedges	8	—
Other, net	—	3
Total cash used in investing activities	(478)	(907)
Financing activities		
Repurchase of common stock	(321)	—
Repayments of debt	(13)	(12)
Dividends paid	(341)	(118)
Issuance of common stock	28	17
Other, net	7	(1)
Total cash used in financing activities	(640)	(114)
Effect of exchange rate changes on cash	(16)	(3)
Decrease in cash and cash equivalents	(826)	(537)
Cash and cash equivalents at beginning of period, excluding held for sale	2,432	2,678
Cash and cash equivalents held for sale at beginning of period	194	—
Cash and cash equivalents at end of period	$1,800	$2,141

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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 31, 2015. The first six months of fiscal 2016 and fiscal 2015 included 26 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 consolidated financial statements. No such events were identified for this period.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from August 2, 2015, through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

2. Discontinued Operations

Discontinued operations are primarily comprised of Jiangsu Five Star Appliance Co., Limited ("Five Star") within our International segment. Following the sale of Five Star in February 2015, we continue to hold one retail property in Shanghai, China, which remains held for sale at August 1, 2015, as we continue to actively market the property. The presentation of discontinued operations has been retrospectively applied to all prior periods presented.

The composition of assets and liabilities disposed of as a result of the sale of Five Star was as follows ($ in millions):

	February 13, 2015
Cash and cash equivalents	$125
Receivables	113
Merchandise inventories	252
All other assets	461
Total assets	$951
Accounts payable	$478
All other liabilities	128
Total liabilities	$606

Table of Contents

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

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Revenue(1)	$5	$437	$217	$834
Restructuring charges	—	—	—	1
Gain (loss) from discontinued operations before income tax benefit	—	15	(10)	4
Income tax benefit (expense)	—	(7)	3	(4)
Gain on sale of discontinued operations	—	2	99	2
Net gain from discontinued operations, including noncontrolling interests	—	10	92	2
Net earnings from discontinued operations attributable to noncontrolling interests	—	(1)	—	(1)
Net gain from discontinued operations attributable to Best Buy Co., Inc. shareholders	$—	$9	$92	$1

(1) The $5 million of revenue for the three months ended August 1, 2015, represents the final sales associated with our China retail business.

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 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.

Table of Contents

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 August 1, 2015, January 31, 2015, and August 2, 2014, according to the valuation techniques we used to determine their fair values ($ in millions).

	Fair Value at August 1, 2015	Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$21	$21	$—	$—
Commercial paper	65	—	65	—
Short-term investments				
Corporate bonds	402	—	402	—
Commercial paper	240	—	240	—
Other current assets				
Foreign currency derivative instruments	21	—	21	—
Other assets				
Interest rate swap derivative instruments	13	—	13	—
Auction rate securities	2	—	—	2
Marketable securities that fund deferred compensation	98	98	—	—

	Fair Value at January 31, 2015	Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$265	$265	$—	$—
Corporate bonds	13	—	13	—
Commercial paper	165	—	165	—
Short-term investments				
Corporate bonds	276	—	276	—
Commercial paper	306	—	306	—
Other current assets				
Foreign currency derivative instruments	30	—	30	—
Other assets				
Interest rate swap derivative instruments	1	—	1	—
Auction rate securities	2	—	—	2
Marketable securities that fund deferred compensation	97	97	—	—

ASSETS HELD FOR SALE

Cash and cash equivalents				
Money market funds	16	16	—	—

10

Table of Contents

	Fair Value at August 2, 2014	Fair Value Measurements Using Inputs Considered as		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$211	$211	$—	$—
Commercial paper	111	—	111	—
Short-term investments				
Commercial paper	364	—	364	—
U.S. Treasury bills	100	100	—	—
Other current assets				
Foreign currency derivative instruments	1	—	1	—
Other assets				
Auction rate securities	9	—	—	9
Marketable equity securities	10	10	—	—
Marketable securities that fund deferred compensation	98	98	—	—

There was no change in 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 months ended August 1, 2015.

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.

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.

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.

Treasury Bills. Our U.S. Treasury bills 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.

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 auction rate securities ("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 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.

Table of Contents

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 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 Consolidated Statements of Earnings.

The following table summarizes the fair value remeasurements for non-restructuring property and equipment impairments and restructuring impairments recorded during the six months ended August 1, 2015, and August 2, 2014 ($ in millions):

	Six Months Ended August 1, 2015		Six Months Ended August 2, 2014	
	Impairments	Remaining Net Carrying Value(1)	Impairments	Remaining Net Carrying Value(1)
Continuing operations				
Property and equipment (non-restructuring)	$26	$9	$21	$8
Restructuring activities(2)				
Tradename	40	—	—	—
Property and equipment	30	—	1	—
Total continuing operations	$96	$9	$22	$8

(1) Remaining net carrying value approximates fair value.
(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. For the tradename, fair value was derived using the relief from royalty method. 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, short-term investments, other investments, accounts payable, other payables, and long-term debt. The fair values of cash, receivables, short-term investments, accounts payable and other payables approximated carrying values because of the short-term nature of these instruments. Short-term investments other than those disclosed in the tables above represent time deposits. 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.

12

Table of Contents

4. Goodwill and Intangible Assets

The changes in the carrying values of goodwill and indefinite-lived tradenames by segment were as follows in the six months ended August 1, 2015, and August 2, 2014 ($ in millions):

	Goodwill	Indefinite-lived Tradenames		
	Domestic	Domestic	International	Total
Balances at January 31, 2015	$425	$18	$39	$57
Changes in foreign currency exchange rates	—	—	1	1
Canada brand restructuring[1]	—	—	(40)	(40)
Balances at August 1, 2015	$425	$18	$—	$18

(1) Represents the Future Shop tradename impaired as a result of the Canadian brand consolidation in the first quarter of fiscal 2016. See Note 5, Restructuring Charges, for further discussion of the Canadian brand consolidation.

	Goodwill	Indefinite-lived Tradenames		
	Domestic	Domestic	International	Total
Balances at February 1, 2014	$425	$19	$82	$101
Changes in foreign currency exchange rates	—	—	(1)	(1)
Balances at August 2, 2014	$425	$19	$81	$100

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

	August 1, 2015		January 31, 2015		August 2, 2014	
	Gross Carrying Amount[1]	Cumulative Impairment[1]	Gross Carrying Amount[1]	Cumulative Impairment[1]	Gross Carrying Amount	Cumulative Impairment
Goodwill	$1,100	$(675)	$1,100	$(675)	$1,308	$(883)

(1) Excludes the gross carrying amount and cumulative impairment related to Five Star, which was held for sale at January 31, 2015. The sale was completed on February 13, 2015.

5. Restructuring Charges

Charges incurred in the six months ended August 1, 2015, and August 2, 2014, for our restructuring activities were as follows ($ in millions):

	Six Months Ended	
	August 1, 2015	August 2, 2014
Continuing operations		
Canadian brand consolidation	$184	$—
Renew Blue	(2)	13
Other restructuring activities[1]	—	(6)
Total continuing operations	182	7
Discontinued operations		
Renew Blue	—	1
Total restructuring charges	$182	$8

(1) 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 $19 million at August 1, 2015.

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. In the first six months of fiscal 2016, we incurred $184 million of restructuring charges related to implementing these changes, which primarily consisted of lease exit costs, a tradename impairment, property and equipment impairments, employee termination benefits and inventory write-downs. We expect to incur total pre-tax charges in the range of

Table of Contents

$200 million to $280 million related to this action, which includes restructuring charges and other non-restructuring asset impairments and costs. The total charges include approximately $140 million to $180 million of cash charges. We expect to substantially complete this activity in fiscal 2016, with the exception of lease payments for vacated stores which will continue until the leases expire or we otherwise terminate the leases.

The inventory write-downs related to our Canadian brand consolidation are presented in restructuring charges – cost of goods sold in our Consolidated Statements of Earnings, and the remainder of the restructuring charges are presented in restructuring charges in our Consolidated Statements of Earnings. The composition of total restructuring charges we incurred for the Canadian brand consolidation in the first six months of fiscal 2016 was as follows ($ in millions):

	International
Continuing operations	
Inventory write-downs	$5
Property and equipment impairments	30
Tradename impairment	40
Termination benefits	24
Facility closure and other costs	85
Total continuing operations	$184

The following tables summarize our restructuring accrual activity during the six months ended August 1, 2015, related to termination benefits and facility closure and other costs associated with Canadian brand consolidation ($ in millions):

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at January 31, 2015	$—	$—	$—
Charges	27	104	131
Cash payments	(21)	(18)	(39)
Adjustments(1)	(2)	(4)	(6)
Changes in foreign currency exchange rates	—	(3)	(3)
Balances at August 1, 2015	$4	$79	$83

(1) The adjustments related to termination benefits relate to higher-than-expected employee retention. Adjustments to facility closure and other costs represent changes in sublease assumptions.

Renew Blue

In the fourth quarter of fiscal 2013, we launched the Renew Blue strategy, which included initiatives intended to reduce costs and improve operating performance. These initiatives included focusing on core business activities, reducing headcount, updating our store operating model and optimizing our real estate portfolio. These cost reduction initiatives represented one of the key Renew Blue priorities. We recognized a benefit of $2 million and incurred $13 million of restructuring charges related to Renew Blue initiatives during the first six months of fiscal 2016 and 2015, respectively. The benefit in the first six months of fiscal 2016 was primarily due to an adjustment to the employee termination benefit liability due to higher-than-expected employee retention. The charges in the first six months of fiscal 2015 were primarily comprised of employee termination benefits. We expect to continue to implement cost reduction initiatives throughout the remainder of fiscal 2016, as we further analyze our operations and strategies.

For continuing operations, the inventory write-downs related to our Renew Blue restructuring activities are presented in restructuring charges - cost of goods sold in our Consolidated Statements of Earnings and the remainder of the restructuring charges are presented in restructuring charges. The restructuring charges from discontinued operations related to this plan are presented in discontinued operations, net of tax.

Table of Contents

The composition of the restructuring charges we incurred for this program in the six months ended August 1, 2015, and August 2, 2014, as well as the cumulative amount incurred through August 1, 2015, was as follows ($ in millions):

	Domestic			International			Total		
	Six Months Ended			Six Months Ended			Six Months Ended		
	August 1, 2015	August 2, 2014	Cumulative Amount	August 1, 2015	August 2, 2014	Cumulative Amount	August 1, 2015	August 2, 2014	Cumulative Amount
Continuing operations									
Inventory write-downs	$—	$—	$ 1	$—	$—	$ —	$—	$—	$ 1
Property and equipment impairments	—	—	14	—	1	25	—	1	39
Termination benefits	(2)	7	159	—	5	38	(2)	12	197
Investment impairments	—	—	43	—	—	—	—	—	43
Facility closure and other costs	1	—	5	(1)	—	50	—	—	55
Total continuing operations	(1)	7	222	(1)	6	113	(2)	13	335
Discontinued operations									
Property and equipment impairments	—	—	—	—	—	1	—	—	1
Termination benefits	—	—	—	—	—	16	—	—	16
Facility closure and other costs	—	—	—	—	1	11	—	1	11
Total Discontinued Operations	—	—	—	—	1	28	—	1	28
Total	$(1)	$7	$ 222	$(1)	$7	$ 141	$(2)	$14	$ 363

The following tables summarize our restructuring accrual activity during the six months ended August 1, 2015, and August 2, 2014, related to termination benefits and facility closure and other costs associated with this program ($ in millions):

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at January 31, 2015	$16	$23	$39
Charges	—	—	—
Cash payments	(7)	(6)	(13)
Adjustments[1]	(8)	(5)	(13)
Changes in foreign currency exchange rates	—	—	—
Balances at August 1, 2015	$1	$12	$13

(1) Adjustments to termination benefits were due to higher-than-expected employee retention. In addition, adjustments include the remaining liabilities eliminated as a result of the sale of Five Star, as described in Note 2, Discontinued

Operations.

Table of Contents

	Termination Benefits	Facility Closure and Other Costs	Total
Balances at February 1, 2014	$111	$51	$162
Charges	28	7	35
Cash payments	(106)	(9)	(115)
Adjustments[1]	(16)	(4)	(20)
Changes in foreign currency exchange rates	—	(5)	(5)
Balances at August 2, 2014	$17	$40	$57

(1) Adjustments to termination benefits were due to higher-than-expected employee retention. Adjustments to facility closure and other costs represent changes in sublease assumptions.

6. Debt

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

	August 1, 2015	January 31, 2015	August 2, 2014
2016 Notes	$350	$349	$350
2018 Notes	500	500	500
2021 Notes	649	649	649
Interest rate swap valuation adjustments	13	1	—
Financing lease obligations	52	69	83