

BEST BUY CO INC

FORM 8-K (Current report filing)

Filed 10/14/08 for the Period Ending 10/14/08

Address	7601 PENN AVE SOUTH RICHFIELD, MN 55423
Telephone	6122911000
CIK	0000764478
Symbol	BBY
SIC Code	5731 - Radio, Television, and Consumer Electronics Stores
Industry	Retail (Technology)
Sector	Services
Fiscal Year	02/03

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **October 14, 2008**



BEST BUY CO., INC.

(Exact name of registrant as specified in its charter)

Minnesota
(State or other jurisdiction
of incorporation)

1-9595
(Commission
File Number)

41-0907483
(IRS Employer
Identification No.)

7601 Penn Avenue South
Richfield, Minnesota
(Address of principal executive offices)

55423
(Zip Code)

Registrant's telephone number, including area code **(612) 291-1000**

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 7.01 Regulation FD Disclosure

On October 14, 2008, The Carphone Warehouse Group PLC (“CPW”) released its trading statement for its fiscal second quarter ended September 27, 2008. In the news release, CPW reported the fiscal second quarter highlights and strategic and financial goals for Best Buy Europe, a venture between Best Buy Co., Inc. (“Best Buy” or the “registrant”) and CPW, which is owned 50% by the registrant. The news release issued by CPW on October 14, 2008, is furnished as Exhibit No. 99.1 to this Current Report on Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability of that Section, unless the registrant specifically incorporates it by reference in a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934.

In addition, on October 14, 2008, representatives of the registrant and CPW are holding an investor presentation to be webcast to discuss the registrant’s strategic update for its International segment, including Best Buy Europe. The registrant is furnishing, as Exhibit 99.2 to this Current Report on Form 8-K, the slide presentation to be used on the October 14, 2008 webcast, and which the registrant may use from time to time in presentations related to its International segment and Best Buy Europe. The slide presentation is furnished pursuant to Item 7.01 of this Current Report on Form 8-K and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, unless the registrant specifically incorporates it by reference in a document filed under the Securities Act of 1933 or the Securities Exchange Act of 1934. By filing this Current Report on Form 8-K and furnishing the slide presentation, the registrant makes no admission as to the materiality of the information included in the slide presentation. The registrant undertakes no duty or obligation to publicly update or revise the information included in the slide presentation, although it may do so from time to time as its management believes is warranted. Any such updating may be made through the filing of other reports or documents with the U.S. Securities and Exchange Commission (the “SEC”), through press releases or through other public disclosure. The registrant intends to post the slide presentation in the “For Our Investors” section of its Web site located at www.BestBuy.com, though it reserves the right to discontinue such posting at any time.

Some of the matters discussed in this Current Report on Form 8-K (including Exhibits 99.1 and 99.2) constitute forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements other than those made solely with respect to historical fact and are based on the intent, belief or current expectations of the registrant and its management. The registrant’s business and operations are subject to a variety of risks and uncertainties that might cause actual results to differ materially from those projected by any forward-looking statements. Factors that could cause such differences include, but are not limited to, those factors set forth in the slide presentation attached hereto as Exhibit 99.2 and the risk factors set forth in the registrant’s filings with the SEC.

ITEM 9.01 Exhibits

(d) The following exhibits are furnished as exhibits to this report.

<u>Number</u>	<u>Description</u>
99.1	News release issued by The Carphone Warehouse Group PLC dated October 14, 2008
99.2	Slide presentation used for joint webcast of Best Buy Co., Inc. and The Carphone Warehouse Group PLC dated October 14, 2008

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BEST BUY CO., INC.
(Registrant)

Date: October 14, 2008

By: /s/ JAMES L. MUEHLBAUER

James L. Muehlbauer
Executive Vice President – Finance and Chief
Financial Officer



Tuesday 14 October 2008

For immediate release

The Carphone Warehouse Group PLC

Trading update and strategic update on Best Buy Europe

Good performance in Q2; longer term prospects attractive

Carphone Warehouse today announces its second quarter trading update for the 13 weeks to 27 September 2008.

Second quarter highlights

- Total connections up 9% to 3.1m
- Subscription connections up 21% to 1.3m, with significant market share gains
- Best Buy Mobile continues to perform very strongly
- 41,000 broadband net adds before the sale of 6,000 AOL cable customers; base now 2.8m
- 106,000 broadband customers unbundled, taking the on-net base to 2.0m
- Strong financial position; remaining cautious on immediate economic outlook

Best Buy Europe strategic and financial goals

- Best Buy Europe is the new name for the venture that incorporates all of Carphone Warehouse's existing retail operations, its profit share from Best Buy Mobile and its consumer electronics operations in Europe due to launch in 2009
- Best Buy Europe to double revenues and EBIT* by March 2013
- Introduction of large format Best Buy stores in the UK in 2009
- Continued evolution of Carphone Warehouse format
- Current year start-up costs of up to £20m
- Next financial year start-up costs of up to £30m and capex of £40m
- Mid-teens % post-tax ROIC on big box roll-out

* Based on Carphone Warehouse's Distribution division financial performance in the year to March 2008, under IFRS, before any purchase accounting applied by Best Buy

Charles Dunstone, Chief Executive Officer, said:

“Trading in the second quarter was good, as we continued to invest in margin to drive strong volume growth, and we made significant market share gains as a result. Subscription growth has been excellent, and the decline in the rate of pre-pay growth is to be expected given the wider consumer environment. The telecoms business continues to perform well, with a strong focus on operational improvements and customer service enhancements. We expect headline EPS for the first half to be 4.0p-4.2p, reflecting a weighting of Distribution profits towards the second quarter and the phasing of telecoms marketing costs.

“Our plans for the Distribution venture, now named Best Buy Europe, are making very good progress, and we are confident of building a significant and profitable big box consumer electronics business in Europe over the coming years. We believe that investing in our business, people and proposition now is money well spent: consumer electronics retailing should be a vibrant, interactive and service-led experience for customers and our goal is to deliver exactly this.

“The immediate consumer outlook remains very uncertain. However, in the retail business, we have secured our best ever Christmas line-up and will work hard to increase our share of customer spending. In telecoms, we are well positioned as a value player with a highly efficient network, providing good visibility of cash flows in the coming years. Our robust balance sheet and the quality of our assets leave us well placed to ride out the downturn and emerge in an even stronger position on the other side.”

Distribution (Best Buy Europe)

Total connections were up 9% to 3.1m year-on-year. Growth was driven by subscription connections, which were up 21% to 1.3m. In particular, we continued to see strong year-on-year growth in mobile broadband sales, supported by the roll-out of our laptop proposition into most of our stores across Europe. In the UK, the iPhone 3G also boosted sales and appeared to be predominantly incremental business, delivering us material market share gains. Subscription margins were lower, as in the first quarter, as a result of the increase in mobile broadband connections within the mix, and our own trading strategy that has been focused on delivering volume and growing our market share.

Pre-pay connections were up 2% to 1.7m. After a prolonged period of strong growth, the pre-pay market now appears to be coming under pressure from a weaker consumer backdrop. However, we have a very strong Christmas offering and we believe that growing interest in music and other applications can provide support to this part of the market.

We opened 16 net new stores in the period, taking the total portfolio to 2,430. With our plans for Best Buy Europe announced today, we are pursuing a more measured approach to opening small stores in the existing format, and will concentrate our resources on trialling a new format offering a wider array of connectivity services, as well as launching big box consumer electronics stores.

Best Buy Mobile in the US has continued to trade very strongly. We are now present in all of Best Buy’s stores, and our new format standalone stores are also delivering promising results. We have recently extended the model into Canada with both standalone store and store-within-a-store formats. During the quarter, Best Buy Mobile became the only independent channel in the US to sell the iPhone.

UK Fixed Line

Broadband net adds during the quarter were 41,000, with the overall base increasing by 35,000 as we sold a base of 6,000 AOL-branded cable customers to Virgin Media. Market growth has continued its slowing trend and we have been focusing on retention and improving our proposition rather than aggressive customer recruitment. The TalkTalk base grew by 82,000, continuing its good momentum and reflecting its position at the value end of the market. Churn at TalkTalk continues to fall, enhancing the overall value of our customer base. The AOL base fell by 47,000 as we reined in marketing under the AOL brand and lost some customers in the network migration process.

We unbundled a net 106,000 customers, taking our total unbundled base to over 2 million. 73% of our broadband customers are now on our own network. We continue to make good progress with our network unification project, connecting gigabit fibreoptic cable backhaul to our busier exchanges to cap our usage-related costs.

Our base of non-broadband customers fell by 137,000 to 1.3m, with the rate of decline slowing compared to the previous few quarters.

Best Buy Europe growth strategy

Today we are announcing our initial plans for the launch of big box consumer electronics stores, branded Best Buy, in Europe. In addition, we are sharing our long term financial goals for the entire Best Buy Europe venture (incorporating the existing Carphone Warehouse and Phone House chains, the new Best Buy stores, alternative channels and the profit share from Best Buy Mobile) and giving short term guidance on start-up costs and capex for the new format.

We believe that Europe is a highly attractive market for consumer electronics retailing. Market growth is forecast to be strong, but the customer experience is often poor and we intend to introduce a differentiated proposition with a strong emphasis on service. In addition, we will focus primarily on larger stores of 30,000 square feet or more, where the overall economics are typically more attractive than for smaller stores. Our first stores will open in the UK next year, supported by an integrated multi-channel offering allowing customers to interact with us however they choose.

Our goal is to double revenues and operating profit for Best Buy Europe between the March 2008 year and the March 2013 year, assuming reasonable economic conditions. We expect the roll-out of the Best Buy-branded stores and alternate channels to generate a post-tax ROIC % in the mid-teens. In the short term, we expect start-up costs of up to £20m in the current financial year and up to £30m in the year to March 2010, with capex in that year of up to £40m, incorporating new stores, IT and supply chain costs, and our multi-channel strategy. The exact costs and capex will depend to a significant extent on the timing and rate of new store openings. The costs and capex will be funded out of the venture's existing facilities.

Conference call and presentation

There will be a conference call to discuss the trading update at 2pm UK time (8am Chicago time). The dial-in number is +44 203 037 9107 for UK and international callers, or 1 866 966 5335 for US callers. The call will also be webcast at www.cpwplc.com.

The presentation to investors and analysts on our European strategy will be audio webcast from 3.30pm UK time (9.30 am Chicago time) at www.cpwplc.com. For the Q&A segment at approximately 5.45pm UK time (11.45am Chicago time) there will be a conference call, with the same numbers as above.

Next trading update

The group will publish its interim results on 18 November 2008. Slides will be available on the website, cpwplc.com, and there will be a conference call but no meeting.

For Further Information

For analyst and institutional enquiries

Roger Taylor	07715 170 090
Peregrine Riviere	07909 907 193

For media enquiries

Shane Conway	07932 199 659
Anthony Carlisle (Citigate Dewe Rogerson)	07973 611 888
	020 7638 9571

Operating Statistics

• Connections and store numbers

Connections (000s)	13 weeks to 27 September 2008		
	2008	2007	% change
Subscription	1,275	1,054	21%
Pre-pay	1,664	1,630	2%
SIM-free	166	154	8%
Group	3,105	2,839	9%

Connections (000s)	26 weeks to 27 September 2008		
	2008	2007	% change
Subscription	2,347	2,038	15%
Pre-pay	3,092	2,861	8%
SIM-free	305	288	6%
Group	5,744	5,187	11%
Own stores	2,209	2,141	3%
Franchises	221	196	13%
Total stores	2,430	2,337	4%

• Customer bases

(000s)	As at 27 September 2008	
	2008	2007
Insurance	2,353	2,352
TPHT base	1,869	1,632
UK MVNO base	511	519
Broadband base	2,788	2,486
Of which unbundled	2,027	1,377
Other billed customer base	1,325	2,051

Best Buy International Strategic Update

October 14, 2008
Chicago, IL



Safe Harbor

Forward-Looking and Cautionary Statements:

This presentation contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the U.S. Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that reflect management's current views and estimates regarding future market conditions, company performance and financial results, business prospects, new strategies, the competitive environment and other events. You can identify these statements by the fact that they use words such as "anticipate," "believe," "estimate," "expect," "intend," "project," "plan," "outlook," and other words and terms of similar meaning. These statements involve a number of risks and uncertainties that could cause actual results to differ materially from the potential results discussed in the forward-looking statements. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: general economic conditions, acquisitions and development of new businesses, divestitures, product availability, sales volumes, pricing actions and promotional activities of competitors, profit margins, weather, changes in law or regulations, foreign currency fluctuation, availability of suitable real estate locations, our ability to react to a disaster recovery situation, and the impact of labor markets and new product introductions on overall profitability. A further list and description of risks, uncertainties and other matters can be found in Best Buy's annual report and other reports filed from time to time with the U.S. Securities and Exchange Commission, including, but not limited to, Best Buy's Annual Report on Form 10-K filed with the SEC on 30 April 2008. Management cautions that the foregoing list of important factors is not complete and assumes no obligation to update any forward-looking statement that it may make.

Today's Agenda

- **Best Buy International Strategic Update**
- **Evolution of Carphone's Retail Model**
- **Best Buy Mobile Overview**
- **European Marketplace & Opportunity**
- **U.K. Launch Strategy & Goals**
- **Current U.S. Strategies**
- **Q&A Session**

Robert Willett

- **Chief Executive Officer
Best Buy International**
- **Enterprise Chief Information Officer**
- **Chairman, Best Buy Europe**



World's Largest Consumer Electronics Retailer

Founded in 1966 | Based in Minneapolis

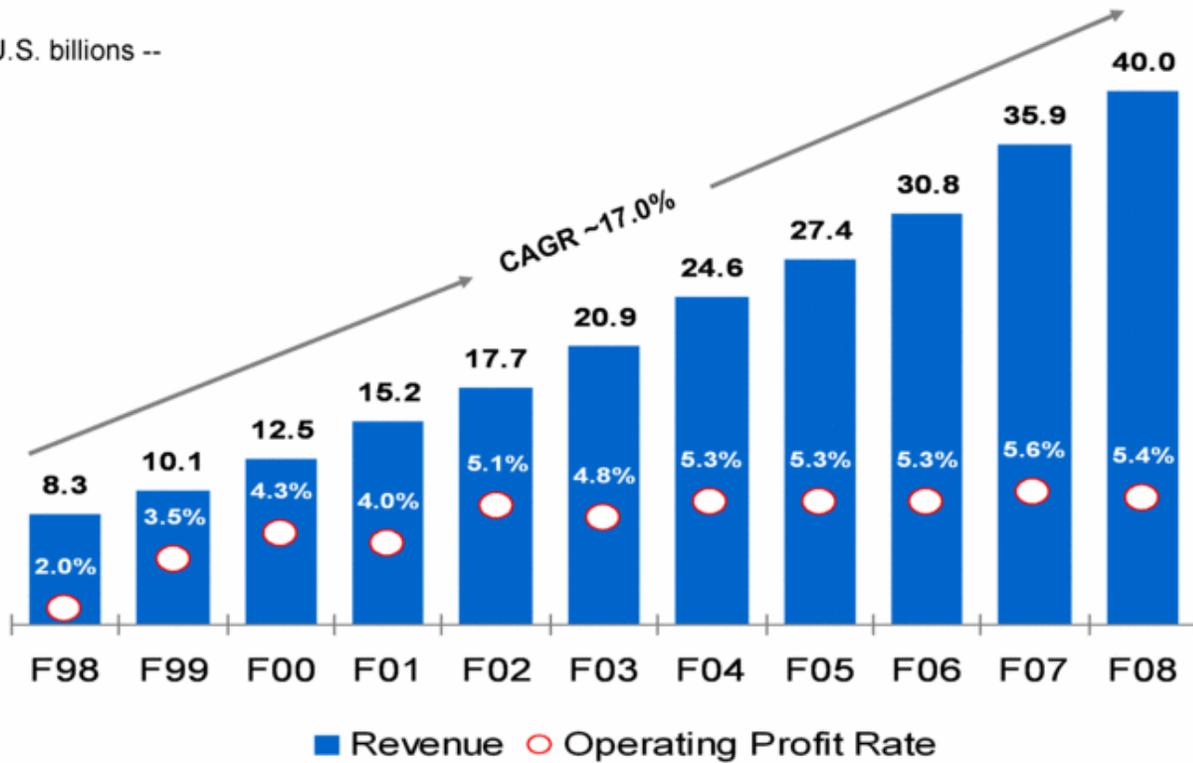
- **1,036 United States**
 - Best Buy
 - Magnolia Audio Video
 - Pacific Sales Kitchen & Bath Centers
- **185 Canada**
 - Future Shop
 - Best Buy
- **162 China**
 - Five Star Appliance
 - Best Buy China
- **2,415 Europe**
 - The Carphone Warehouse
 - The Phone House
- **Multiple Web Sites and Call Centers**



Sales Growth & Operating Profitability

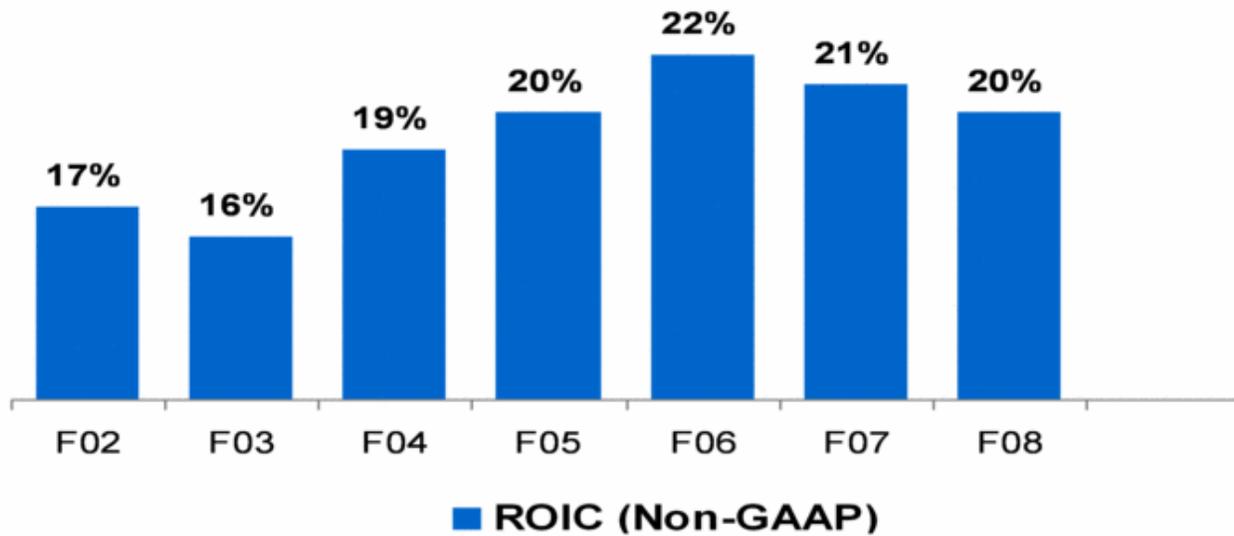
Historically, we have doubled our size every 5 years

-- in U.S. billions --



The Quest For Value

We Produce An ROIC Among The Highest In The U.S. Retail Industry



What Are The Strategic Issues Facing Best Buy?



What Are The Strategic Issues Facing Best Buy?

The WHATs

- **What is the next source of top-line growth?**
 - **What am I famous for in each brand?**
 - **What do my brands stand for today and tomorrow?**
 - **Which innovations are important for me to respond to?**

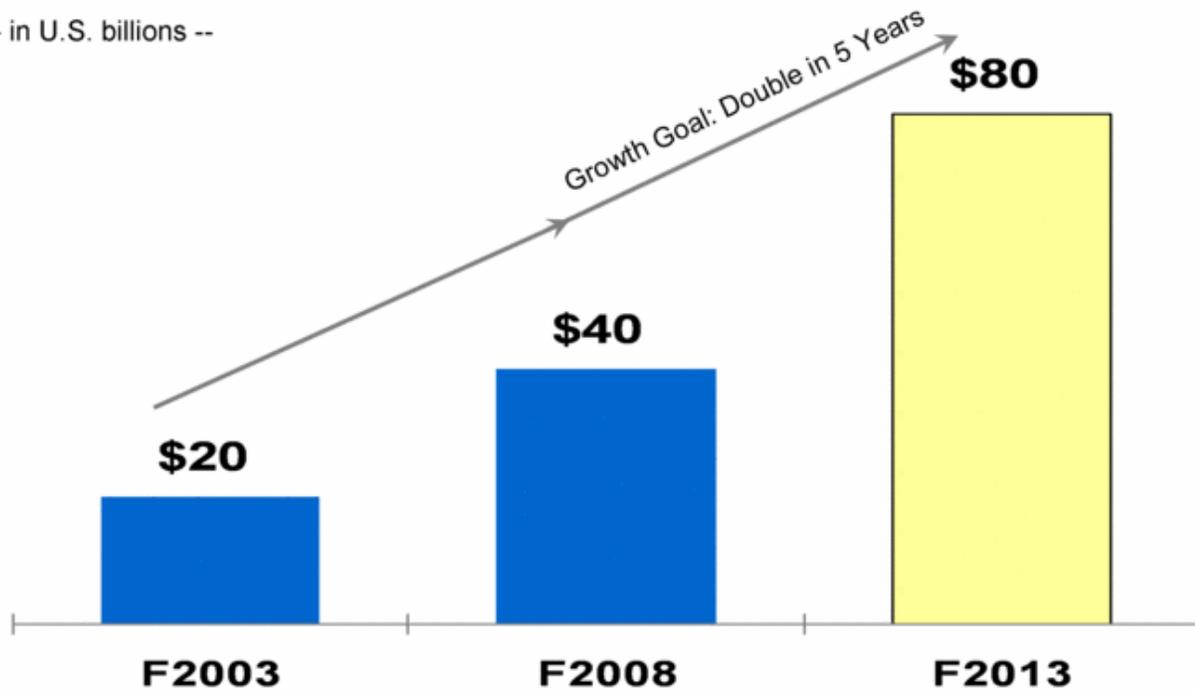
The HOWs

- **How do I build relationships with customers across each brand?**
- **How can technology help me?**
 - **How do I run a cost effective operation and avoid complexity?**
 - **How do I develop a results-driven organization?**
 - **How do I develop a confident, resilient, organization, retaining and equipping people for change?**

The Enterprise Growth Imperative Agenda

We have to increase our momentum and focus to meet shareholder expectations – this is the context for international

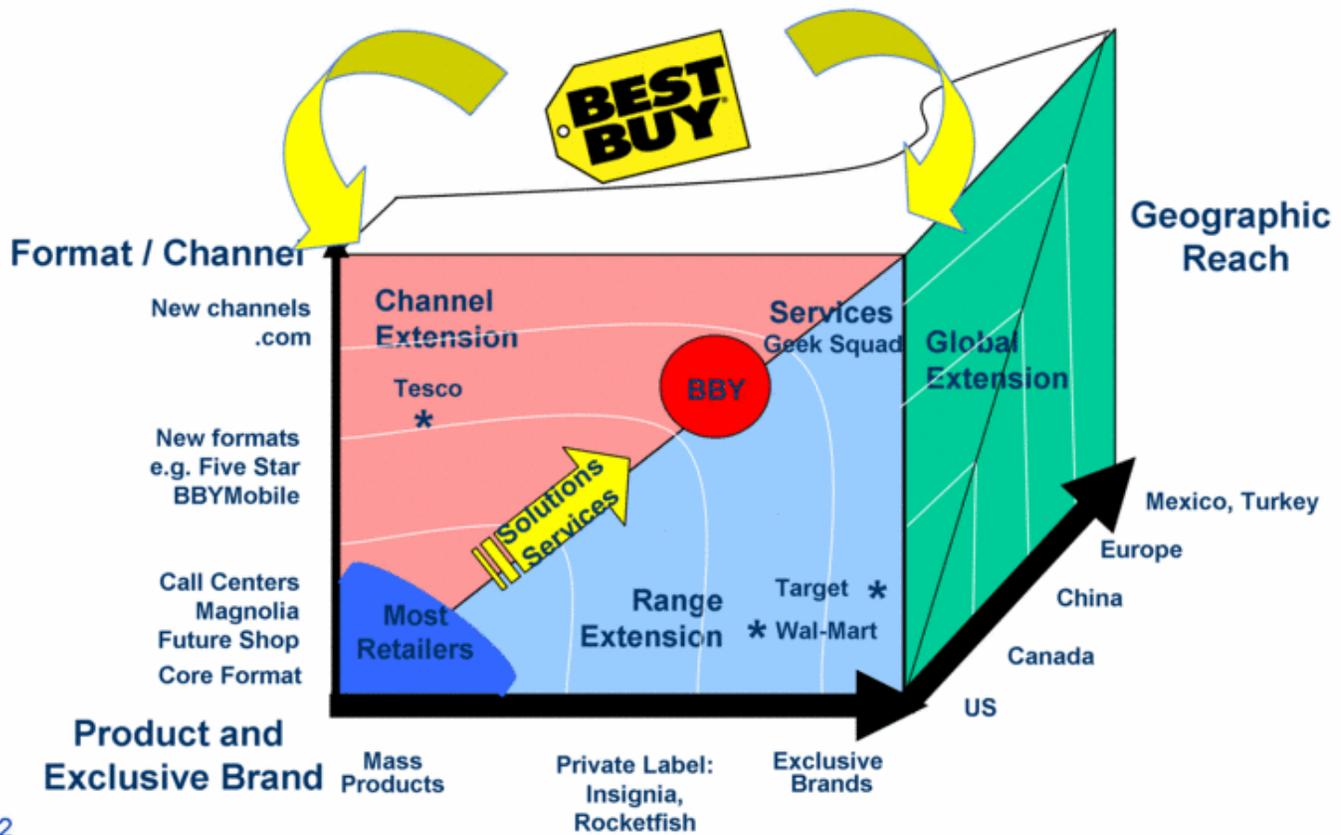
-- in U.S. billions --



What Are Our Strategic Responses?



We're Differentiating Through Co-Creation, Services, Solutions

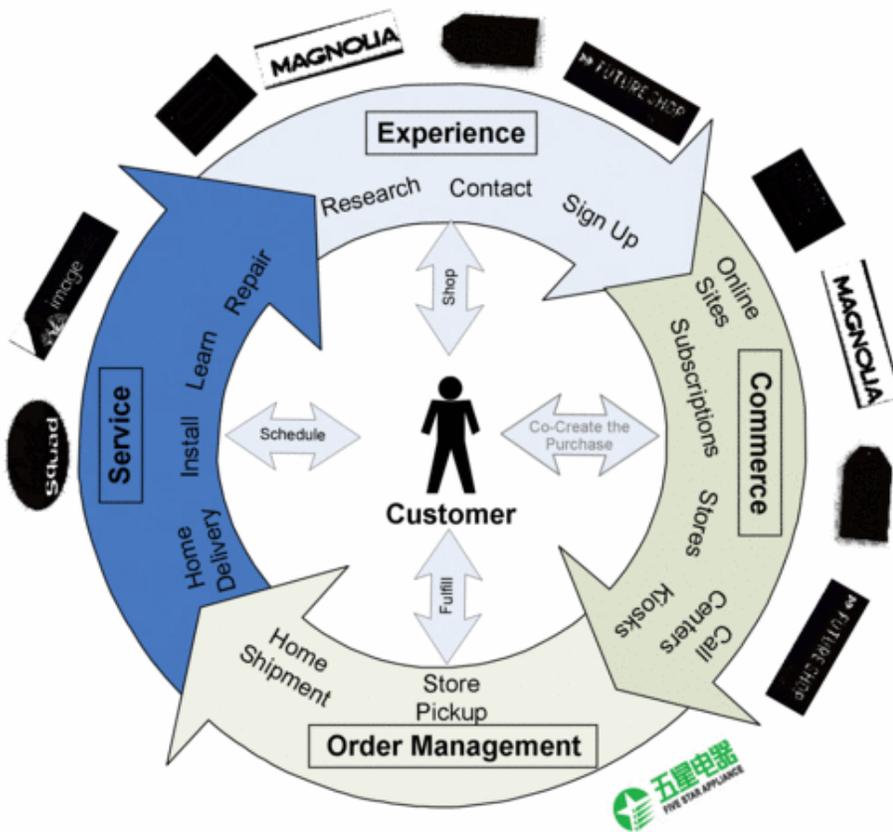


The WHAT – Our Growth Agenda Objectives

Learn slowly and carefully. Scale fast

- **To be #1** in the market for customer experience.
- **To achieve the** highest market share in the local markets we serve.
- **To be the #1** place to work.
- **To produce** the highest level of operating profit in the local market over time.
- **To be the partner of choice** for vendors, government leaders, and communities.
- **To be** the investor's choice with focus on profitable growth and capital efficiency.
- **To leverage infrastructure and capability** build out across all countries (Best Buy in a box).
- **To leverage innovation** across the enterprise.

The WHAT – The Co-Creation Experience



1. Mass
2. Targeted
3. Personalized
4. Co-Creation

- > Interaction
- > Seamless Multi-Contact Experience
- > Community & Social Networks

How?

The HOW - A Balanced "Big Box" Portfolio Over 5 Years

United States

Fcst Count: 1,400



Canada

Fcst Count: 200 - 250



Europe

1-3 NSOs

Fcst Count: 100 - 200



Turkey

1-2 NSOs

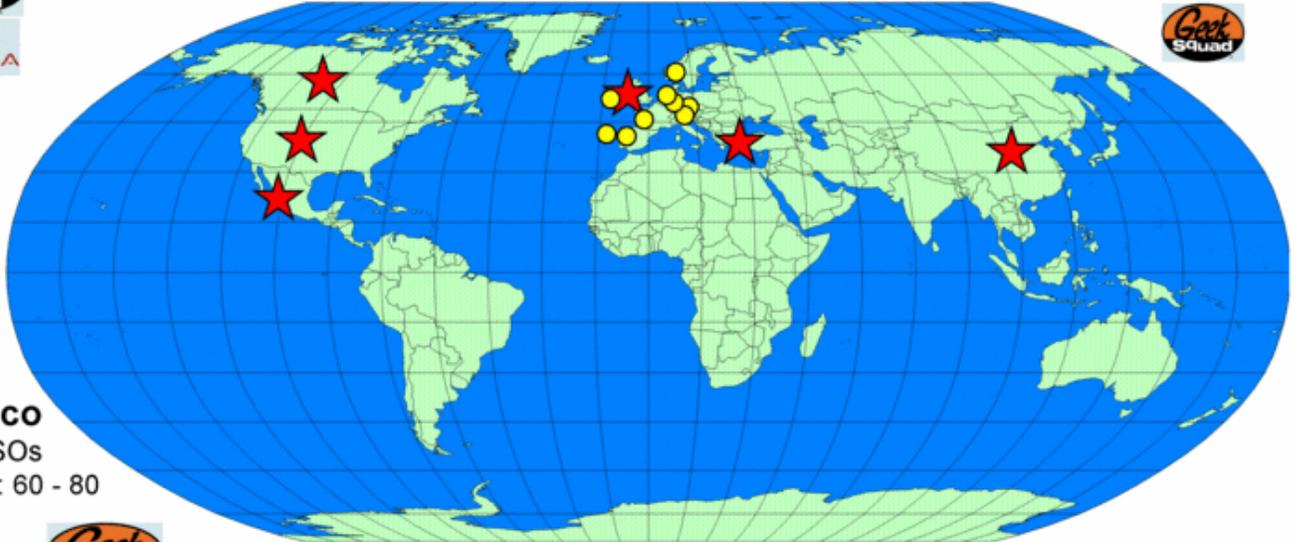
Fcst Count: 100 - 200



China

5-10 NSOs

Fcst Count: 250 - 300



Mexico

1-2 NSOs

Fcst Count: 60 - 80



Canada & China Learnings

Canada

- **Focus management** attention around CORE / OPTIMIZE / TRANSFORM
- **Dual brands** strategy. Keeping brands distinct is essential
- **Utilize private label** to improve margins and differentiation
- **Shared** infrastructure and capabilities
- **Build** international leadership team



China

- **Focus on harmonization** and stabilization. Build brand, culture, values
- **Differentiating** through customer-focused operating models versus Gome, etc.
- **Operating model** that leverages customer centricity and services
- **A focus on basic retailing** can drive significant results. E.g. comps, attachment rates
- **Sourcing** to build private label capability and innovation agenda with local manufacturers
- **The build out of systems** and infrastructure to create efficiency



Assessing And Analyzing Markets

Market screening permits management to identify a small number of desirable markets based on macro and micro environmental factors

Market Screening Factors		
Economic and Socioeconomic	Political	Legal
Financial	Competitive and Distributive	Cultural
Retail Market	CE Market Size and Growth	Rate of Technology Adoption

International Leadership Team



Charles Dunstone
CEO Carphone
Warehouse



Roger Taylor
CFO Carphone
Warehouse



David Berg
COO International



John Noble
CFO International



Marise Kumar
CCEO International



Tasso Koken
SVP, Merchandising



Neville Roberts
CIO International



Todd Soller
CIO Domestic



Shawn Score
Pres. BBY Mobile



Jeanine Thompson
VP, International HR



Dan Currie
SVP, Supply Chain



Paul Antoniadis
CEO – Best Buy
Branded Operations,
Europe

Organizational Structure

Best Buy International

Best Buy Europe

Best Buy - Other Countries

Carphone Warehouse

Geek
U.K. & Spain

Best Buy Mobile

Best Buy Europe
"Big Box"

Turkey
BBY & Geek

China
BBY, Five Star & Geek Squad

Mexico
BBY Geek Squad

Canada
BBY, FS, Geek

Services

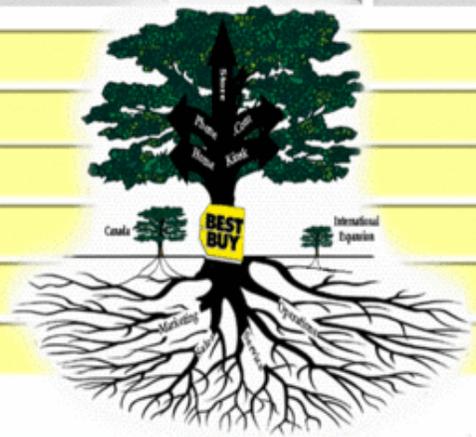
Marketing and Public Relations

Finance

Real Estate

Merchandising, Supply Chain, Information Technology

Human Resources, Legal, Governance



Summary

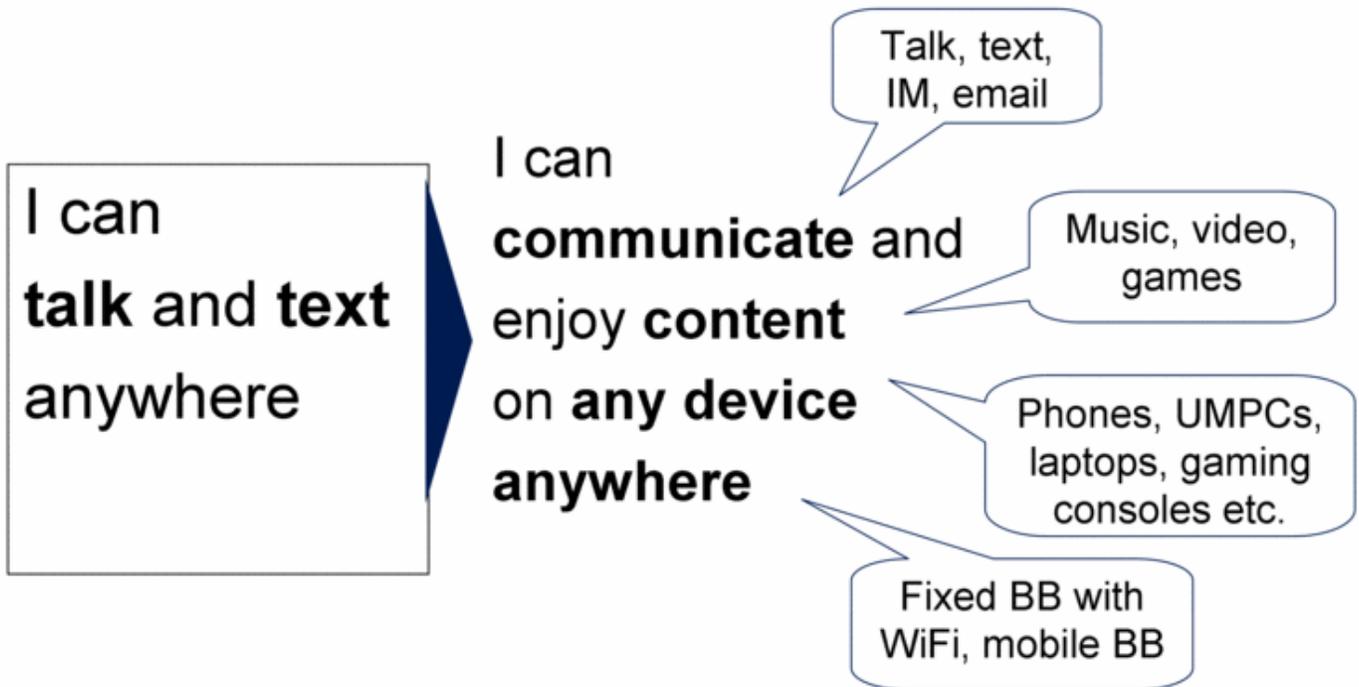
- We believe our strategy of customer centricity has the flexibility to travel well internationally
- We are excited about the European growth opportunity in terms of market size and the potential for the returns we're seeking
- We're learning from those who have gone before us, and from our experiences in other countries
- The pace of expansion will be based on our results
- We've added talent to support our growth, including the Carphone team and other executives with extensive international experience



Charles Dunstone
*CEO, The Carphone
Warehouse Group*



Customers live in a wireless world



What if we could do the same to laptops, as we have to mobile phones?

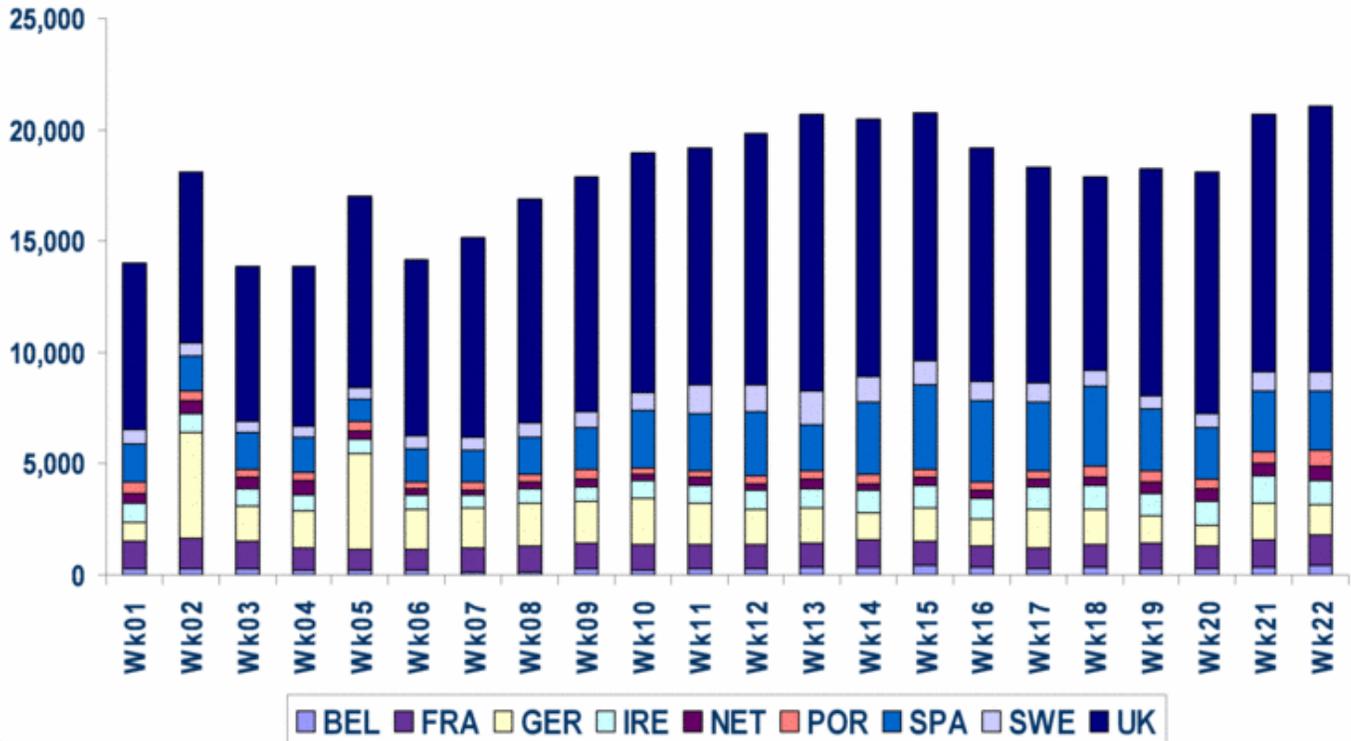


Wireless Camp for 7,000+ people



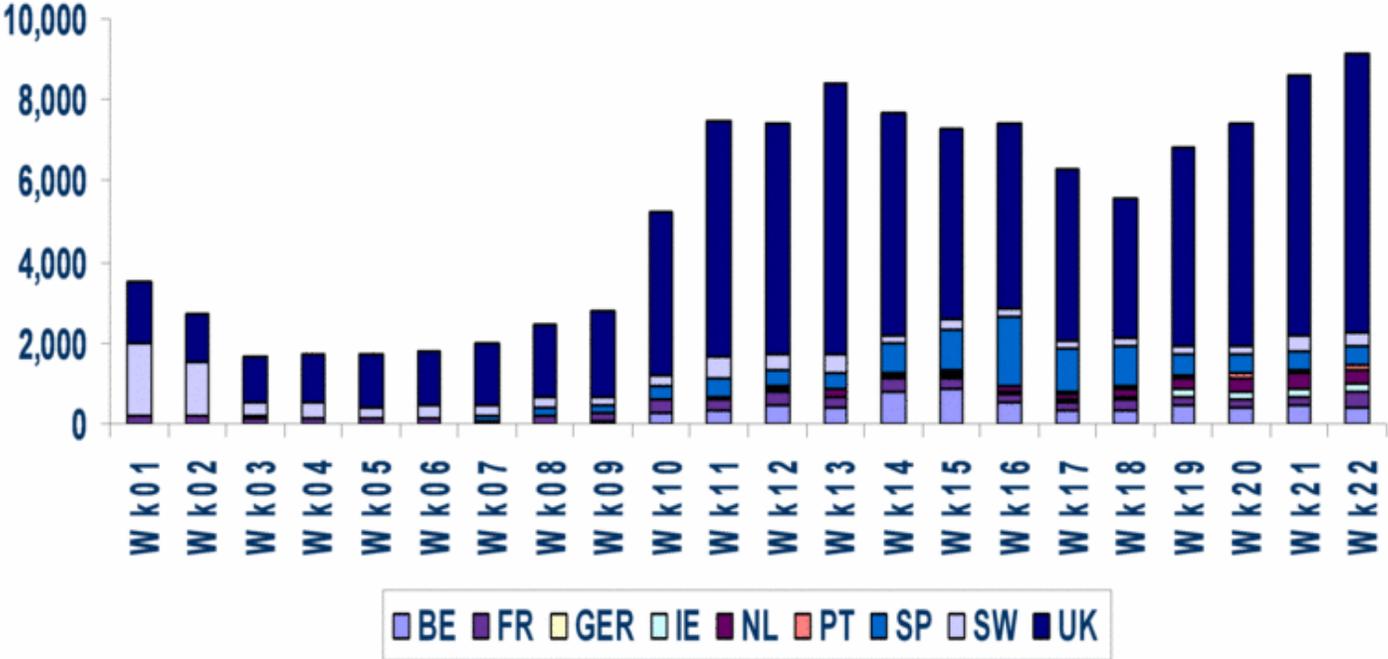
41% YOY broadband growth

Broadband connections, by fiscal week



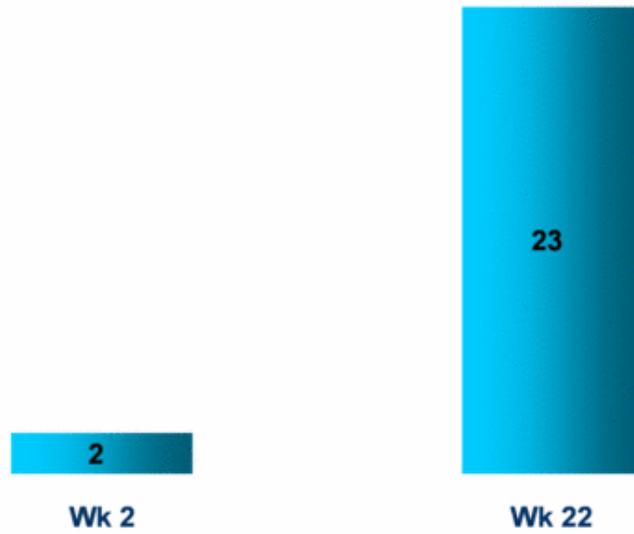
10% share of U.K. laptop market

Units of laptops sold, by fiscal week



Increasing propensity to trade up

Laptop trade-up, %
By calendar week

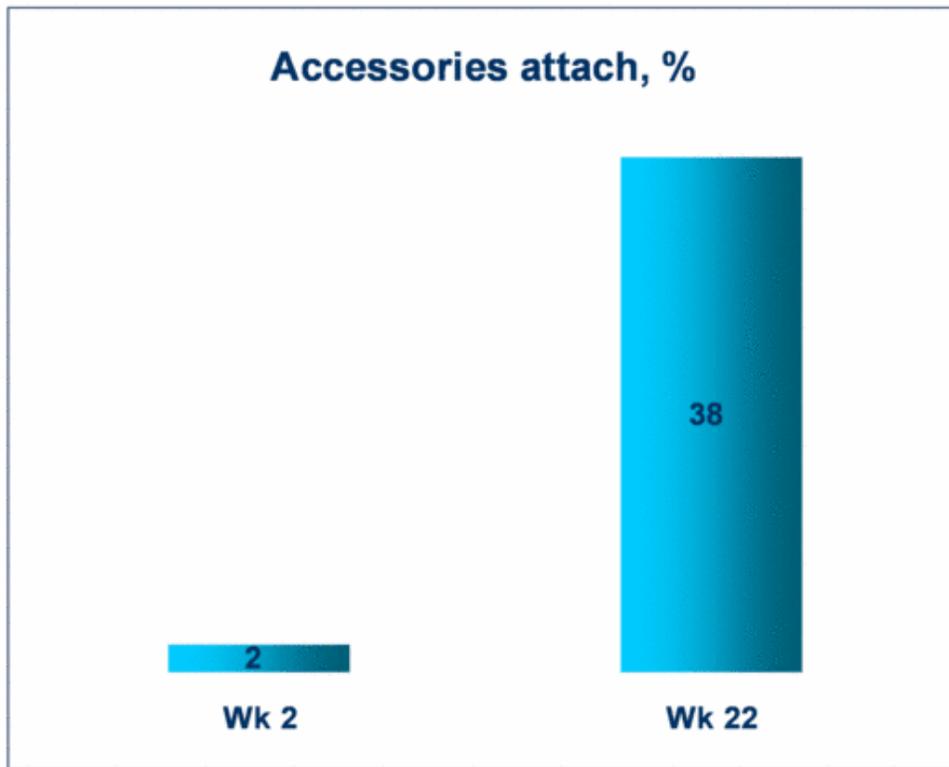
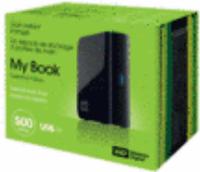


Toshiba
Hampton 10S



Webbook

Improving accessories penetration



“Doing to laptops what we did to mobile phones” makes sense to customers

- Free or competitively priced laptop was top reason to buy at CPW
- 68% of broadband and laptop customers said it was "very important" that their mobile phone came with a laptop
- 33% of broadband and laptop customers had not actually intended to buy a laptop but did
- 64% of people intending to get mobile broadband in next 6 months would be interested in a laptop with it
- We believe the campaign had unusually high awareness from word of mouth

Now entering stage 3 of our evolution

Evolution New Products

Talk
Anywhere



Transformation New Proposition

Internet
Anywhere



Email
Anywhere



&
INSURANCE

Stream 1:
Trade Wireless Now
Focus for growth in
2008/09; becomes
part of BAU

Revolution New Business

Music
Anywhere



TV Anywhere



ADDITIONAL
SERVICES AND
BUNDLED
SOLUTIONS

Stream 2:
The Wireless World
Pilot in 2008/09 for
roll out in 2009/10

Creating a wireless world

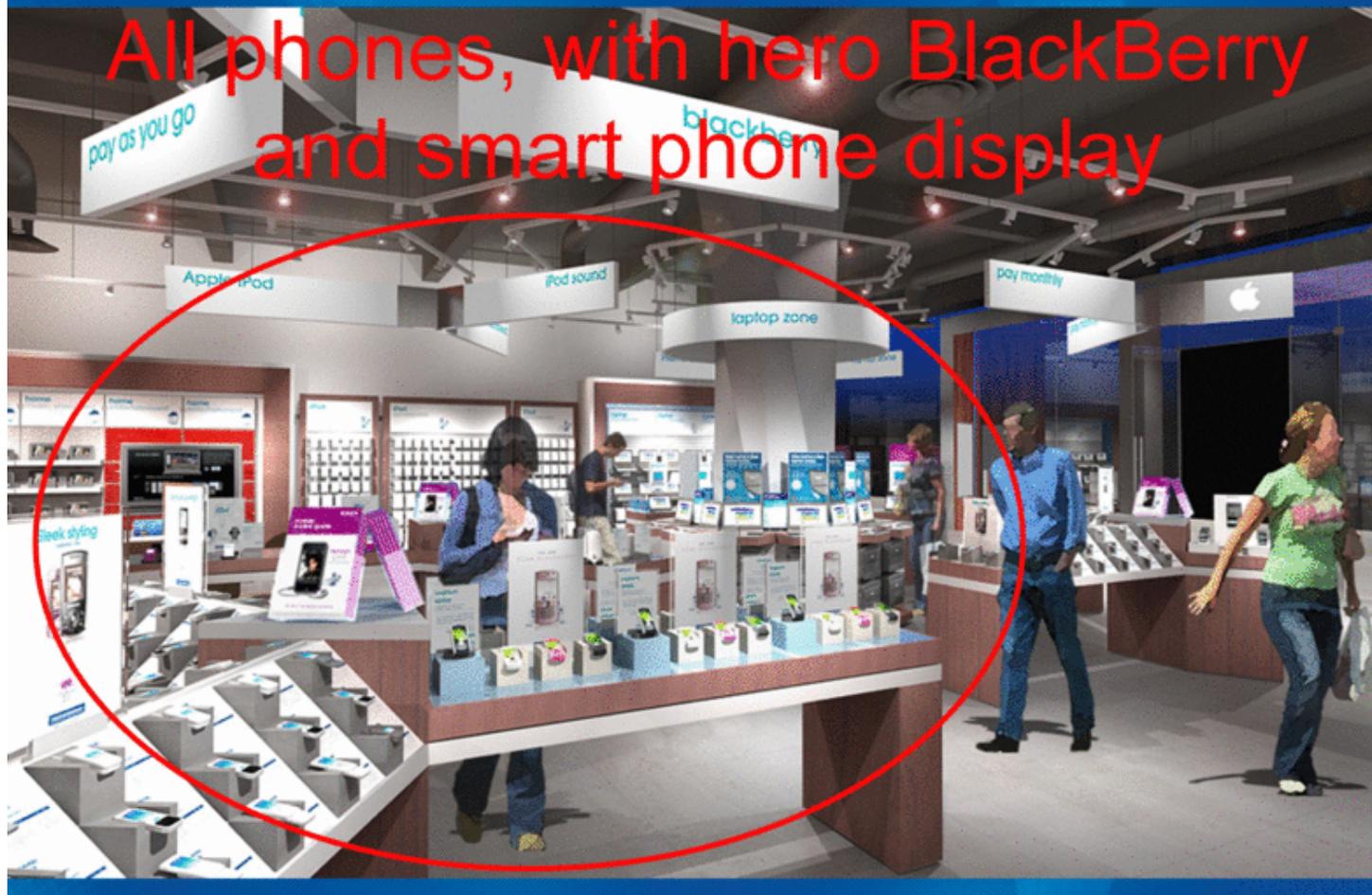




Extended laptops and peripherals



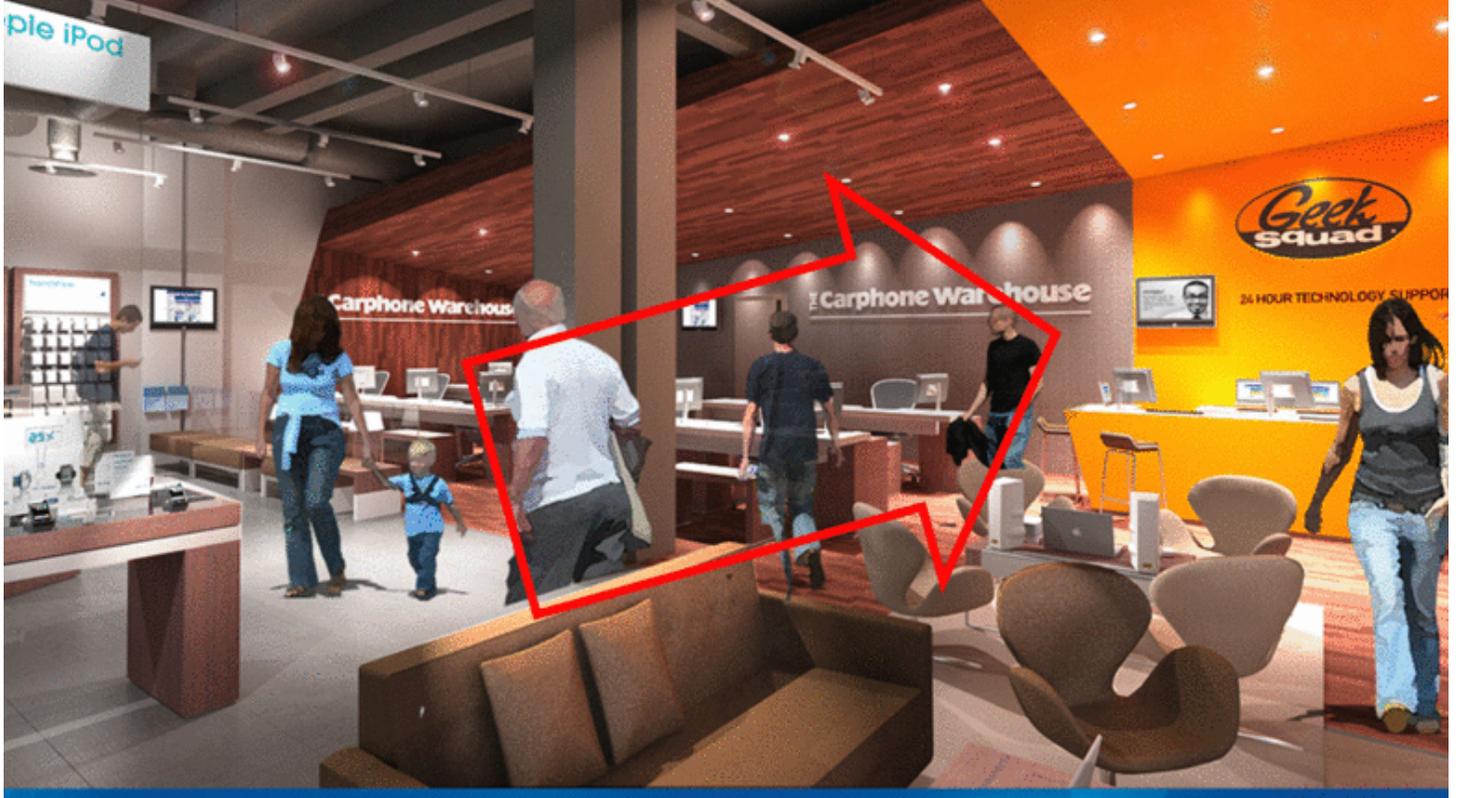
All phones, with hero BlackBerry and smart phone display



TV and music



Geek Squad, content & solutions



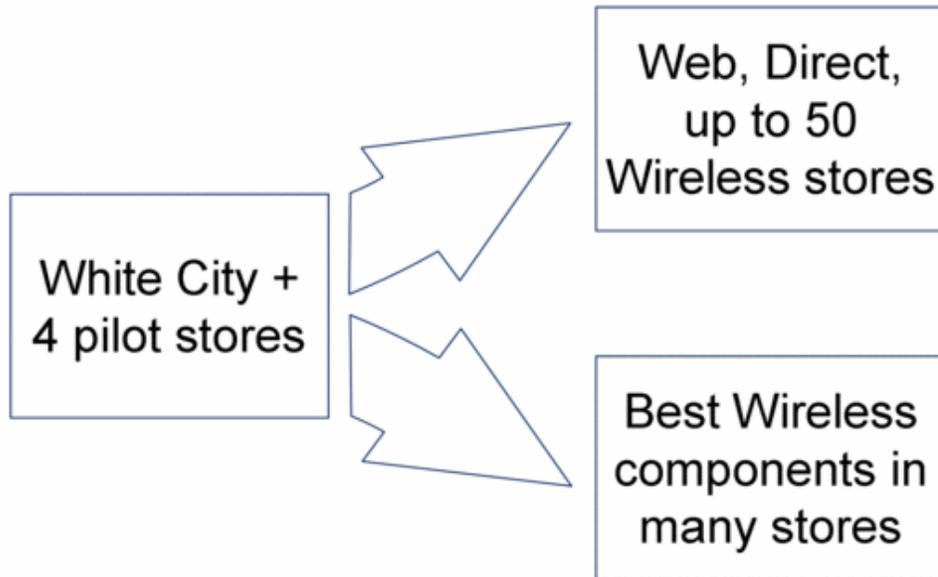
Digital TV and broadband



Gaming



Rolling out "Wireless World"





Shawn Score

President, Best Buy Mobile

Jude Buckley

*Chief Merchant and Marketing
Officer, Best Buy Mobile*

83%

of Americans thought there had to be a better way to buy a mobile phone.

Customer Service Hall of Shame

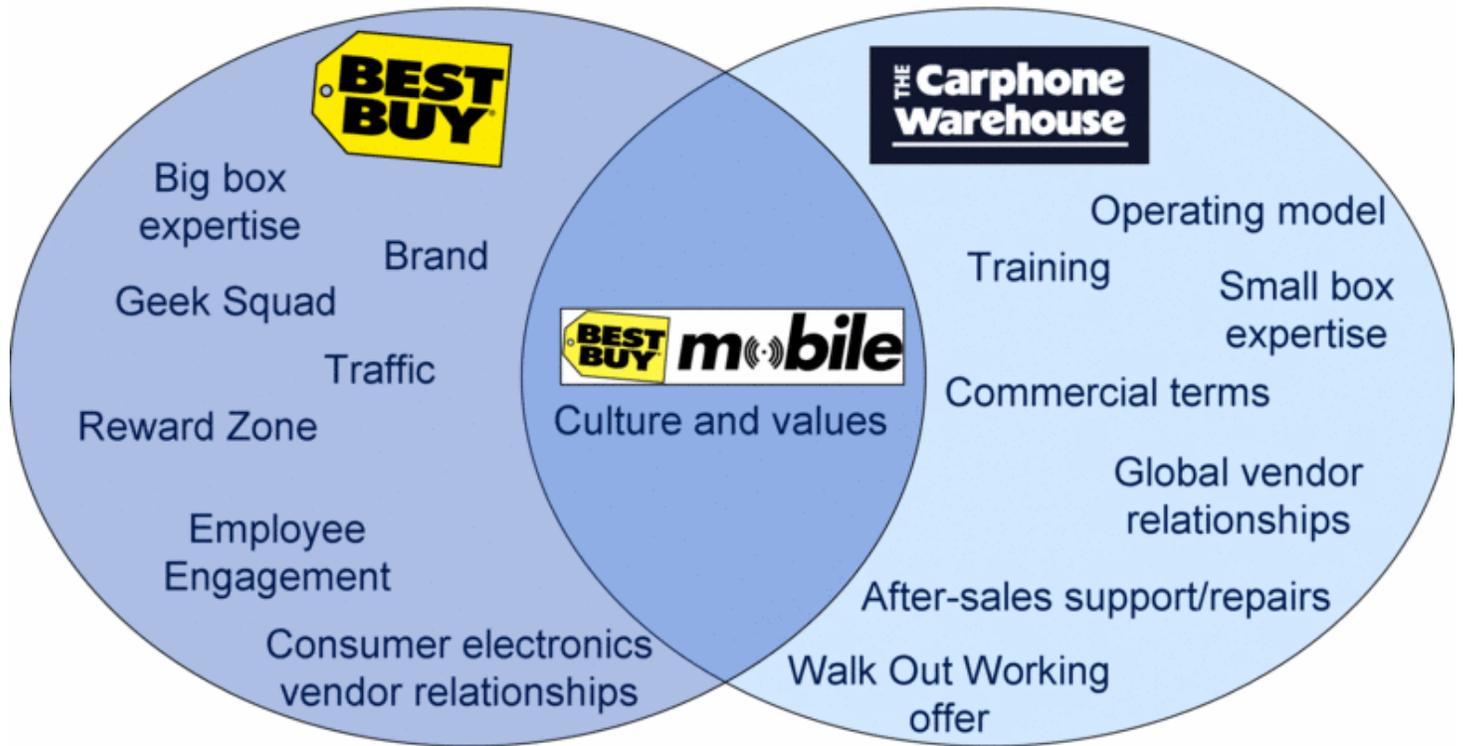


Ranked by percentage of respondents who rated a company's service "poor."

MSN-Zogby Poll



Joint Venture Lessons



Walk Out Working

The advertisement features a blue background with a white circuit board pattern. At the top, the text 'Walk Out Working™' is written in a large, bold, white font. To the left of the text is a white silhouette of a person walking while talking on a mobile phone. To the right of the silhouette is a white rounded rectangular box containing text. At the bottom right of the graphic is the Geek Squad logo, which consists of the word 'Geek' in a stylized orange font above the word 'Squad' in a white font on a black oval background.

Walk Out Working™

Our **Walk Out Working™** service provides Geek Squad® setup and personalization on purchases of BlackBerry®, Windows Mobile® and Palm® smart phones, and all GPS receivers. It's only \$29.99 with 2-year activation (regularly \$49.99) **SAVE \$20.**



Unique Handset Selection



BlackBerry Storm



BlackBerry Bold



Apple iPhone



Samsung Instinct



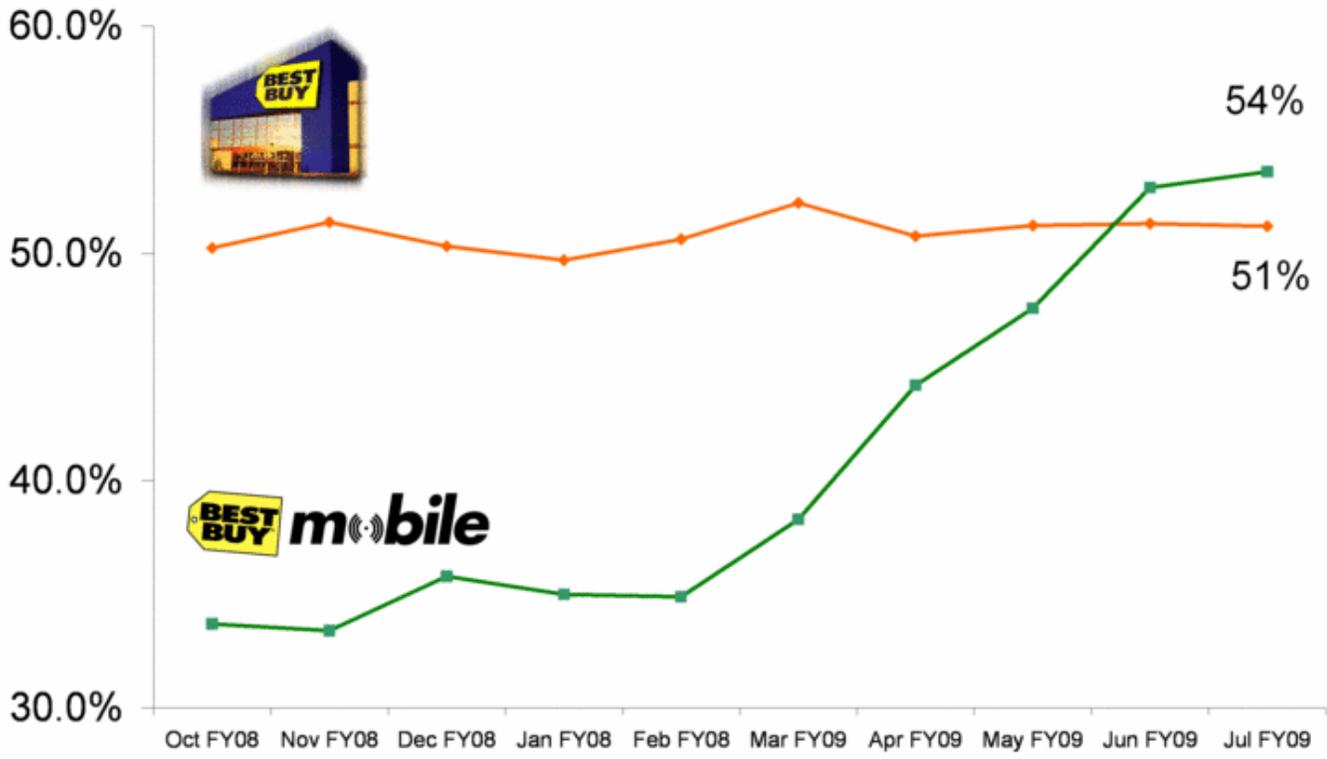




DVD Movie

Best Buy Mobile Story

Net Promoter Score (NPS)



Source: company internal data

A Tale of Two Experiences

Before:

- A few New York test stores
- Negative comparable store sales in U.S. mobile phones
- Market share of 1-2% in the category
- No power with vendors

Now:

- Nearly 1,000 Best Buy Mobile locations
- Nearly triple-digit comparable store sales
- Market share of ~4%, goal of 10% share
- Apple iPhone

David Berg

- **Chief Operating Officer
Best Buy International**
- **Board Member
Best Buy Europe
China JV
Best Buy Children's Foundation**



Why Europe? Why A Partner?



Context Around The Rationale For European Expansion

- **We wanted to expand to Europe because:**
 - Europe is a huge market; combined GDPs of EU countries is greater than the GDP of the U.S.
 - Diversification and benefits from purchasing, sourcing, best practices, brand power

- **We want to expand to Europe now because:**
 - Current lack of a consistent, customer-centric CE retail experience presents a compelling opportunity
 - Existing CE retailers are stagnating as they struggle to keep pace with the consumer's evolving needs
 - Desire to contribute new growth into the enterprise
 - We believe a multi-format / channel approach will be the winning strategy

Context Around The Rationale For European Expansion

- **We wanted to go to Europe with a partner because:**
 - Local experience and expertise is critical for success in European retail
 - Accelerates and de-risks entry and expansion in an important but challenging market

- **The Carphone Warehouse is the best partner because:**
 - Our deep and longstanding relationship; excellent reputation and proven history of success
 - Complimentary retail capabilities that we believe will enhance and differentiate our combined retail offering
 - CPW's natural evolution whereby it is increasing its store sizes and evolving its merchandise mix
 - Aligned, relentless commitment to customer centricity

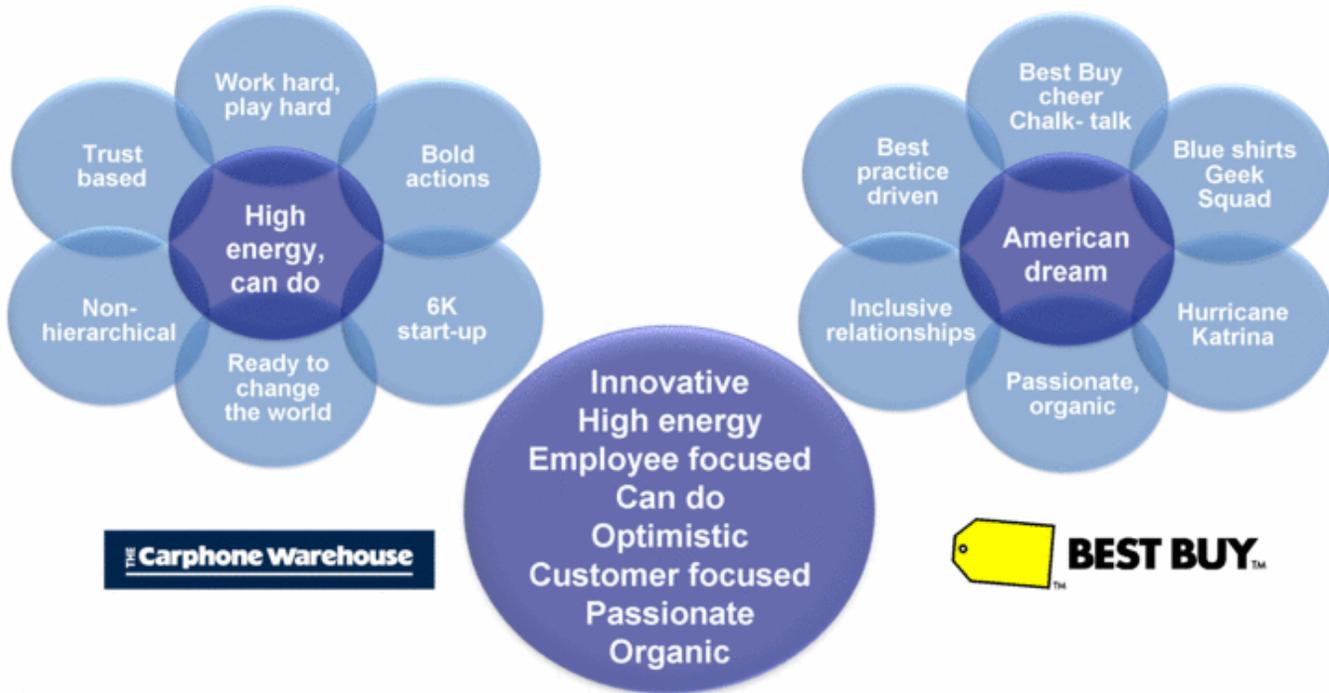
An Opportunity To Leverage Our Complementary Strengths

Relative Competencies

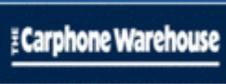
Key Competencies and Capabilities	Relative Competencies			
	 BEST BUY	 Carphone Warehouse	Combined	
Operational Capabilities	Big Box Expertise	●	○	●
	Small Box Expertise	○	●	●
	Sourcing	●	◐	●
	Merchandizing Expertise	●	○	●
	Vendor Relationships	●	◐	●
	Acquisition / Integration Expertise	◐	●	●
Retail Capabilities	Financial Services	●	○	●
	Services Capabilities (Geek Squad)	●	◐	●
	Private Label Capabilities	●	◐	●
	B2B Capabilities	◐	◐	◐
	Flexibility to Change	◐	●	●
	Product / Service Bundling	◐	●	●
	Billing / CRM Platform	○	◐	◐
	Insurance Capabilities	○	●	●
	Subscription Service Sales	◐	●	●
	MVNO Capabilities	○	●	●
Online / Direct Capabilities	◐	◐	◐	
Geography	North American Presence	●	○	●
	European Presence	○	●	●
	Asian Presence	◐	○	◐
People / Culture	Management Talent	◐	◐	●
	Innovative & Growth Oriented	●	●	●
	Customer Centric	●	●	●
	Employee Powered	●	●	●

Two Continents, Two Teams, One Culture

We believe that the collection of beliefs, expectations, and values learned and shared by our teams from one generation of employees to another, will continue to convey a sense of identity and add to the stability of our organizations as a social system



A Comparison of Europe and U.S.



Comparison of U.S. and Europe

Key considerations for Best Buy Europe will be store size and location, as Europeans drive less and are less accustomed to out of town shopping than US shoppers.

	United States	United Kingdom	Europe ¹
Economic			
Average Personal Disposable Income (\$)	32,951	28,972	25,552
Lending Rate (%) ²	5.9	5.3	5.2
Gasoline - Price per Gallon (\$) / Increase vs. Year Ago (%)	\$4.10 / 30.1%	\$8.74 / 19.4%	\$8.44 / 27.6%
Home Ownership (%)	68.1	70.8	66.4
Demographic			
Average Household Size	2.7	2.4	2.5
Population Density (people per sq km)	33	251	156
Population Living in Urban Areas (%)	81.4	89.9	76.2
Median Age (Years)	36.7	39.9	41.8
New Car Registrations per 1,000 people	53.5	39.4	36.9
Distance Driven per Year (km)	19,524	12,632	12,080
Consumer Electronics			
Box Size (sq.ft.)	~20,000 - 40,000	~10,000 - 20,000	~10,000 - 30,000
Store Location	Out of Town	High Street, Out of Town	High Street, Out of Town
CE Per Capita Spend (\$)	619.6	690.6	448.1

Sources: Euromonitor, Economic Intelligence Unit, CIA World Factbook, Datamonitor, US Census, CBS News Report, IMF Report, U.S. Federal Reserve

¹ Median of Germany, France, Italy, and Spain

² As of March 2008, Defined as Lending Rate to Households for UK and Europe. For US, it is the conventional mortgage rate on commitments for fixed-rate first mortgages provided by the Federal Reserve as of March 2008

The Competitive Landscape



Competitive Landscape

Overview of Key European Competitors

			
European CE Market Position	#1	#2	#3
# of Countries	15	15	12
# of Stores	702	1,369	692
LFY Revenue (£mm)	£11,711	£8,546	£4,513
5-Year Revenue CAGR (%)	12.3%	7.3%	7.7%
LFY EBIT (£mm)	£420	£194	£139
LFY EBIT Margin (%)	3.6%	2.3%	3.1%
Average Store Size (Sq. Ft.)	~34,000	~13,000	~13,000
LFY Sales / Sq. ft. (£)	£528	£484	£504
Current Share Price (£)	N/A	£0.49	£1.12
% of 52 Week High	N/A	34%	35%
EV / EBITDA	N/A	2.4x	2.3x
Strengths	Scale and diversification Localized operating model Dual brand strategy	Leader in most markets Multi-channel capabilities Tech Guys	Brand / service reputation Innovative (e.g., Darty Box) Coherent strategy
Challenges	Limited services offering Price orientated	Declining margins Underperforming assets Brand / service reputation	Declining margins Unproven growth initiatives Limited scale

What Is The Approach To Seizing The Opportunity?



Customer Centricity | “Secret Sauce”



Customer Centricity Market Entry Methodology

- 1. Identify customers' unmet needs and competitive landscape**
- 2. Identify customer value segments**
- 3. Sort by domain**
- 4. Create unique customer value propositions**
- 5. Align store operating/customer model**

What Are Consumers Telling Us?



Consumer Views of European Competitors

Some Major Retailers Have Damaged Consumer Confidence In Shopping For Electronics

Products stacked in boxes

Products crammed together

Product menus don't function

Force extras/insurance on customers

No passion or knowledge of product

Poorly trained 'kids'



Everything is so wired you can't touch it or you'll set an alarm off

High pressure on commission

Rude, sexist, offensive

Products chained to bench or behind glass

Security guards follow you

Stores dirty and messy

For some too frantic, others ignored

....And Bring The Connected World To Our Customers

Our business plan is based on our customers' **desire for seamless connectivity**, services, and content. **They want solutions that enable a desired experience**, and to purchase such solutions from **helpful, knowledgeable sales associates** as technology gets more complicated and interrelated.

IN SHORT, THEY WANT HELP REALIZING THE BENEFITS OF THE NEW CONNECTED WORLD

"... **personalized offers** of subscription services **bundled** for **my needs and budget**, not just what the providers want to sell to me"

"... **fast and easy** subscription services **availability, qualification, activation, and scheduling process** available where and when I want it"

"... to **experience products and services** the way they would work in my home before I buy them"

"... **help in making my purchase decisions** to ensure that I am **selecting products and services that are compatible** with each other"



"...to **connect with others, express myself and manage my life**"

"... **my entertainment content on demand** wherever I am, **physical or digital**"

"... to buy and manage all my **licensed and personal content together easily and seamlessly**"

"... to **share and hear the opinions of others like me** who have made purchase decisions that I am contemplating"

"... **what I buy to work with what I already have** at home"

The Global Opportunity



NewCo < 3% Share



CE Market

~\$175 B



BBY ~ 21% Share



~\$160 B



Dual Brand ~ 1% Share



~\$80 B



Dual Brand ~ 35% Share



~\$17 B

Source: Verdict, Mintel, Euromonitor, OC&C analysis, and internal data



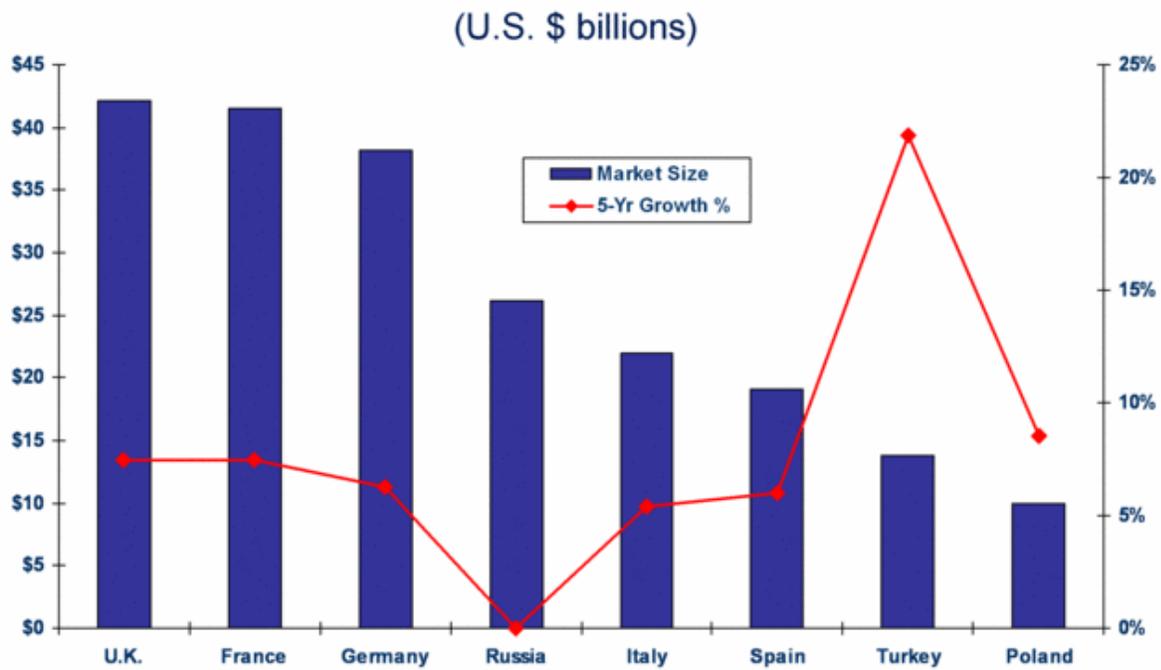
Roger Taylor

*CFO, The Carphone
Warehouse Group*

What is Best Buy Europe?



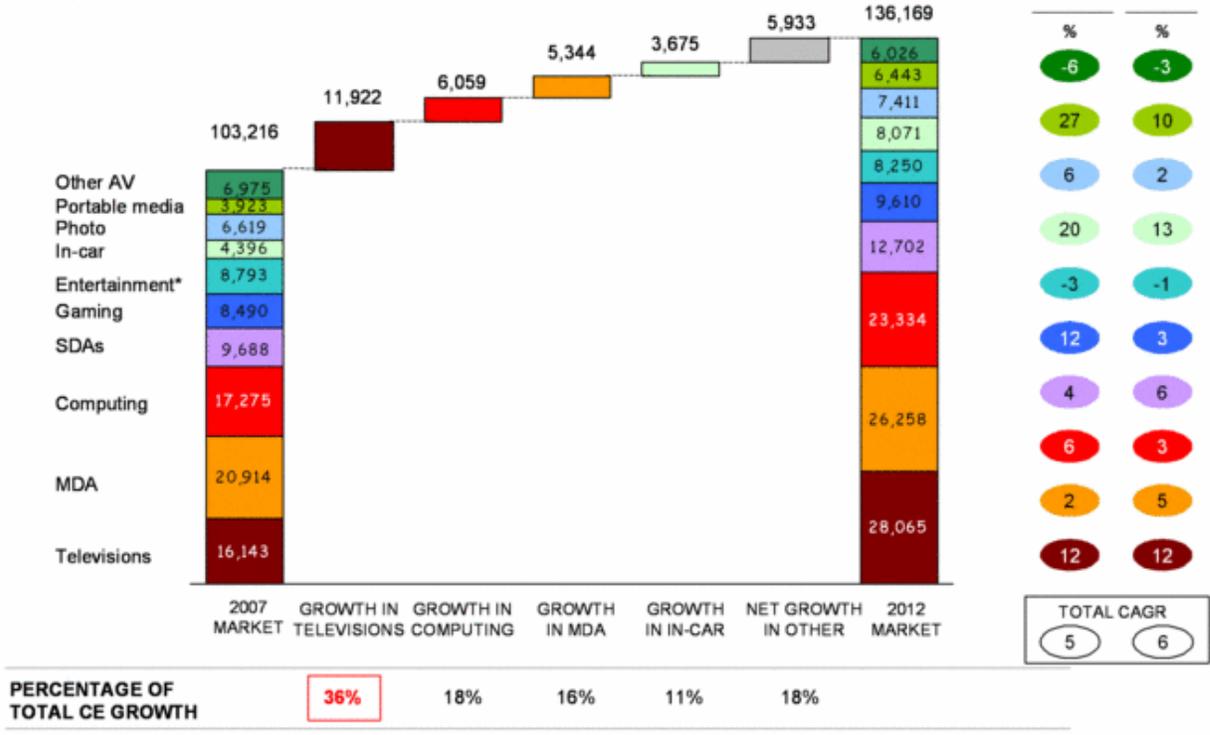
European Electronics Market



Source: internal company estimates

In the EU-5, CAGR of 6% is forecast to 2012

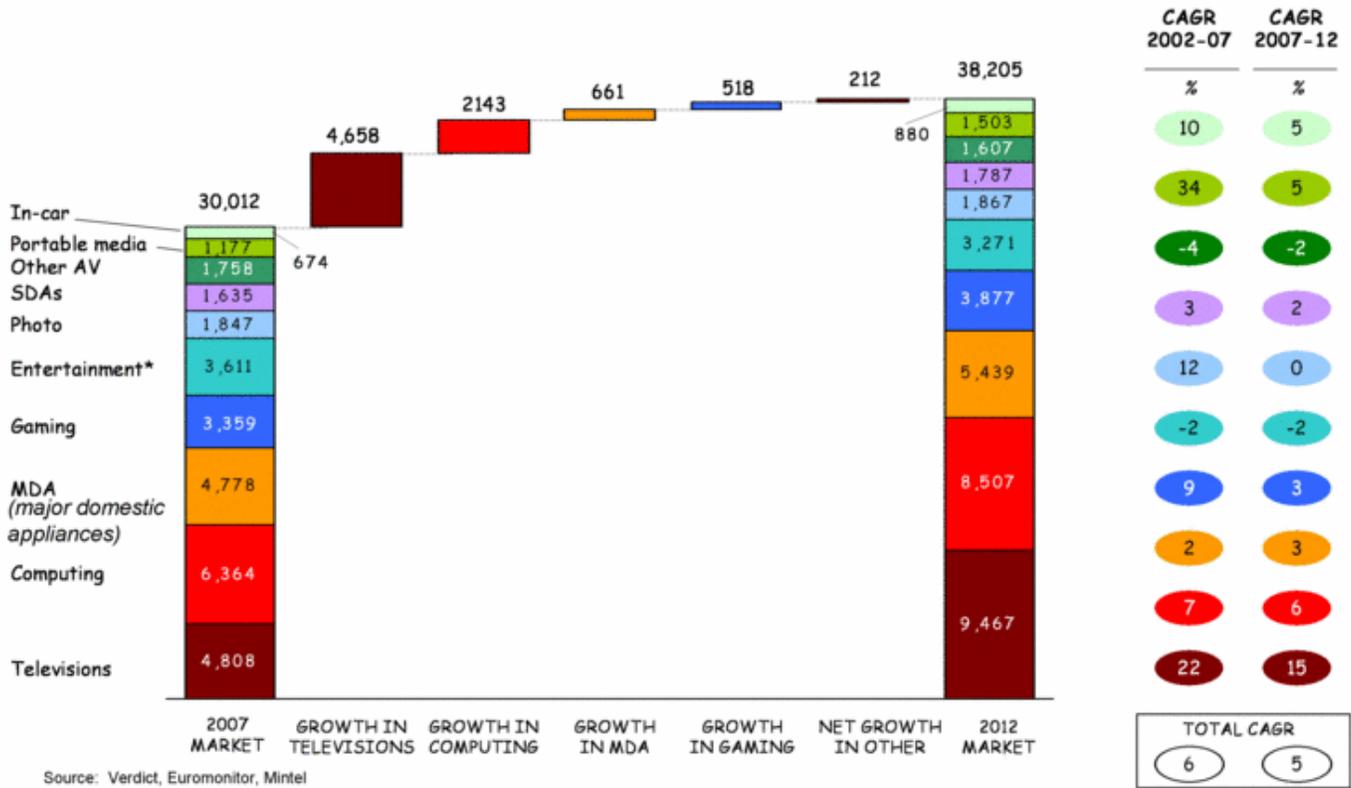
Decomposition of growth in EU-5 consumer electronics excluding mobile phones, 2007-2012, £ millions



* Includes downloads
Source: Verdict, Euromonitor, Mintel

U.K. market to provide 5% CAGR to 2012

Decomposition of growth in UK consumer electronics excluding mobile phones, 2007-2012, £ millions

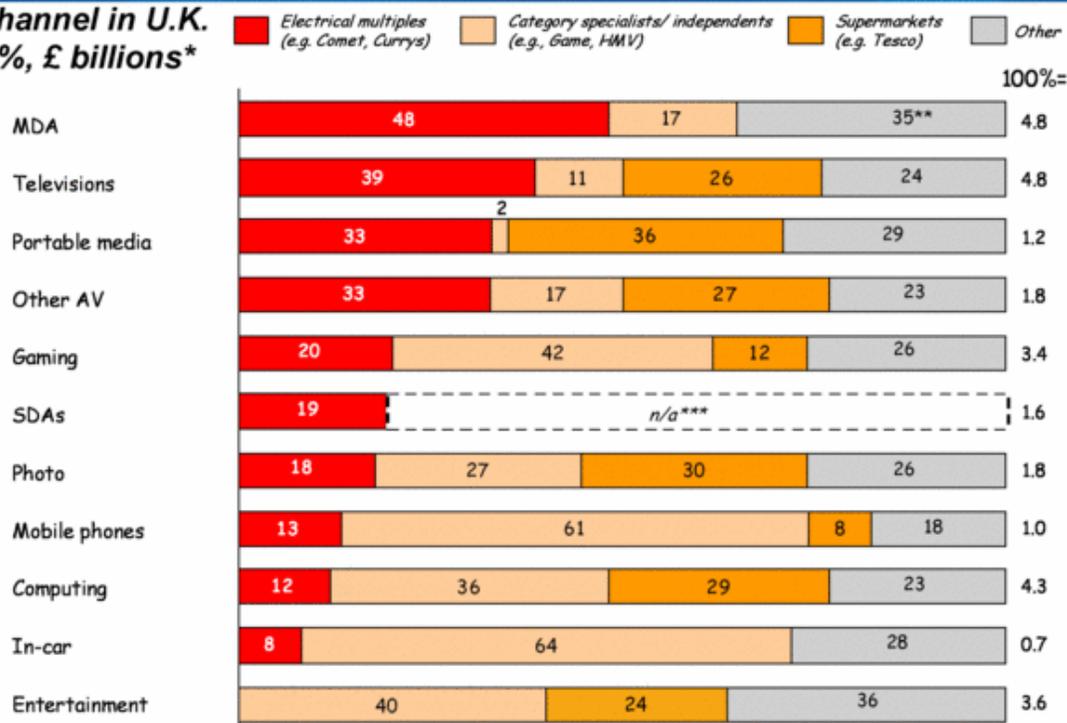


The U.K. market is segmented between a wide variety of players



Electricals chains dominate in larger categories, but not in smaller, higher margin segments

**Sales by channel in U.K.
2007, %, £ billions***



* Category definitions: Electrical multiples are electrical retailers with more than 10 stores; Category specialists/independent include stores specialised in a particular category and electrical stores with few stores; Supermarkets are retailers selling predominantly food/beverages/tobacco; Other includes Internet, mail order, mixed retailers (i.e. department stores and mass merchandisers) and other stores

** Includes kitchen specialists, grocery retailers, internet, department stores and catalogue showrooms

*** Remainder is split with 44% to mass-market retailers, 3% to electrical independent retailers, 15% to department stores, 19% to other

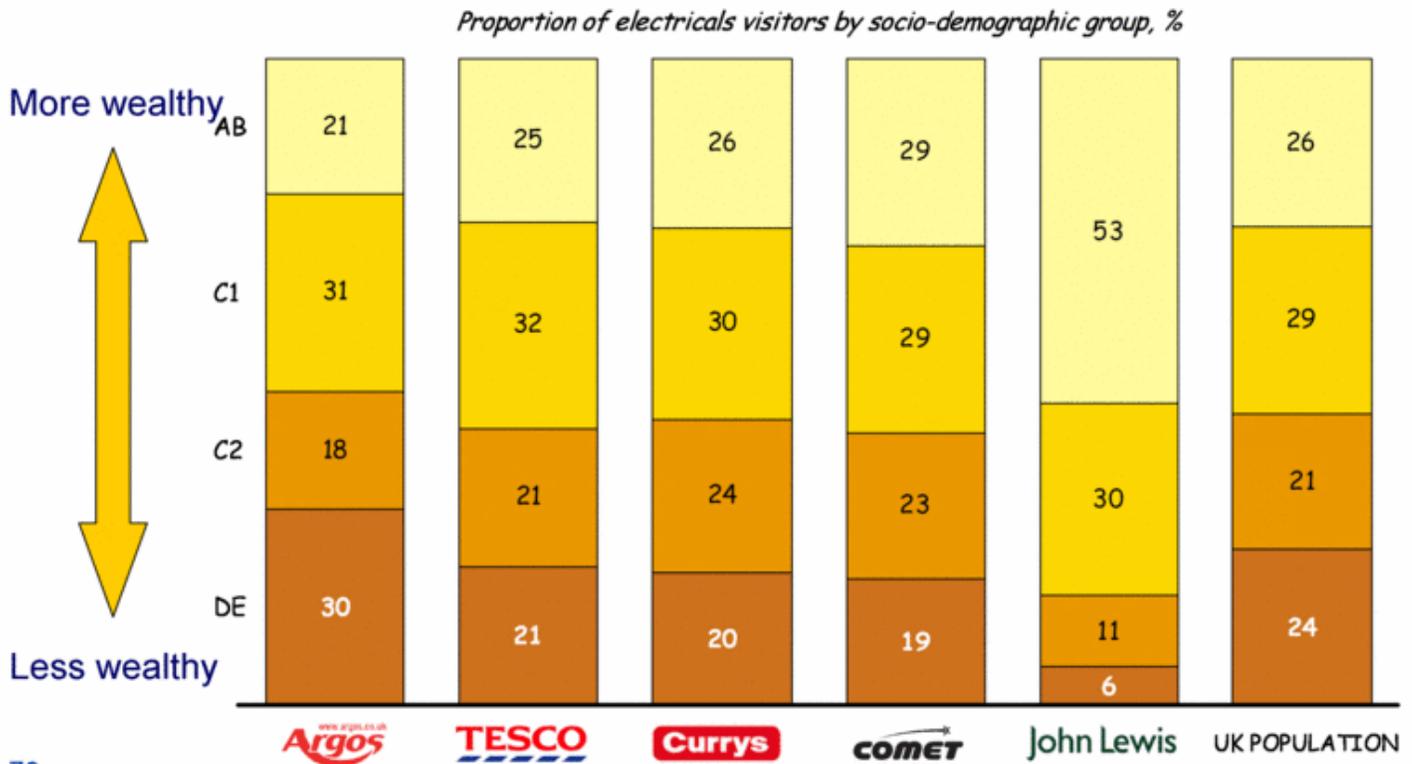
Source: Euromonitor, EUK, GfK, Mintel

...which is an important difference between the U.K. & U.S. markets

	U.K. <i>Top 3 players by category</i>			U.S. <i>() Market share</i>		
TELEVISIONS	(25%)	(13%)	(13.5%)	(24.9%)	(13.5%)	(8.5%)
PORTABLE MEDIA	TBD	TBD	TBD	(20.6%)	(16.4%)	(14.2%)
OTHER AV	(19%)	(14%)	(14%)	(24.5%)	(23.9%)	(9.5%)
PHOTO	(19%)	(10%)	(7%)	(21.4%)	(11.7%)	(8.5%)
COMPUTING*	(32.1%)	(9.1%)	(6.6%)	(31.5%)	(16.0%)	(8.8%)
MOBILE PHONES**	(16%)	(9%)	(9%)	(16%)	(16%)	(16%)
IN-CAR	(16%)	(9%)	(9%)	(28.5%)	(14.1%)	(11.0%)
SDA	(16%)	TBD	TBD	TBD	TBD	TBD
MDA	(31%)	(17%)	TBD	(33.2%)	(17.3%)	(15.5%)
ENTERTAINMENT***	(24.8%)	(10.5%)	(10.2%)	(24.8%)	(10.5%)	(10.2%)
GAMING	(37.4%)	(8.1%)	(6.8%)	(51.0%)	(27.4%)	TBD

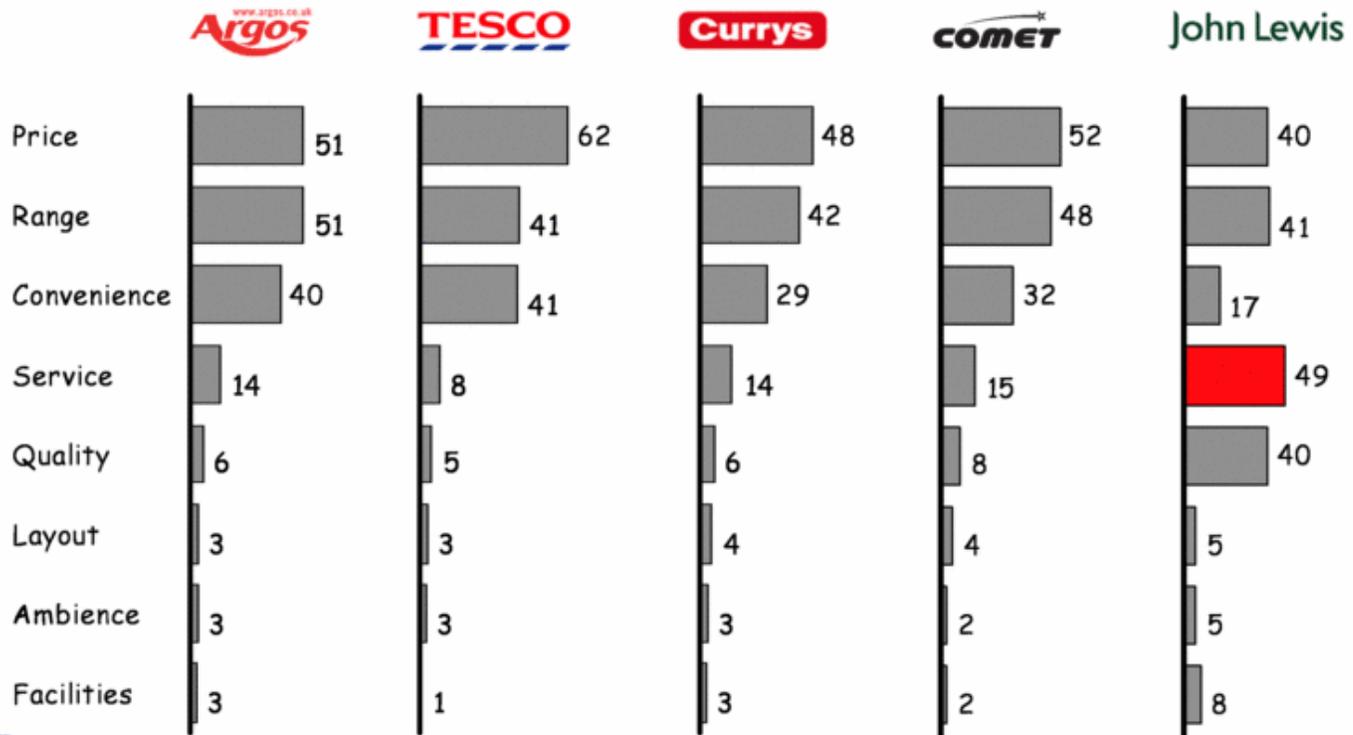
* US data for desktops and laptops only
 ** US carrier branded stores account for 6-6% of wireless service sales in the US. Based on this, the top 3 carriers are assumed to be the largest mobile phone retailers
 *** Data for music segment only
 Source: TWICE, Mintel, BPI, Verdict, Dealerscope, TraQline, Factiva, McKinsey Wireless Customer Lifecycle Management Panel 2008

Most major players are focused on the mass market



Price is a driver of loyalty for most, but service and quality are highly valued when in evidence

Proportion of electricals loyals mentioning driver of loyalty, %



The New Role of the Experience

*Top Customer Reasons
for Choosing a Provider...*

59%

**Customer Service/
Experience**

55% Price
34% Product
34% Convenience

*...and Top Customer Reasons
for Switching Providers*

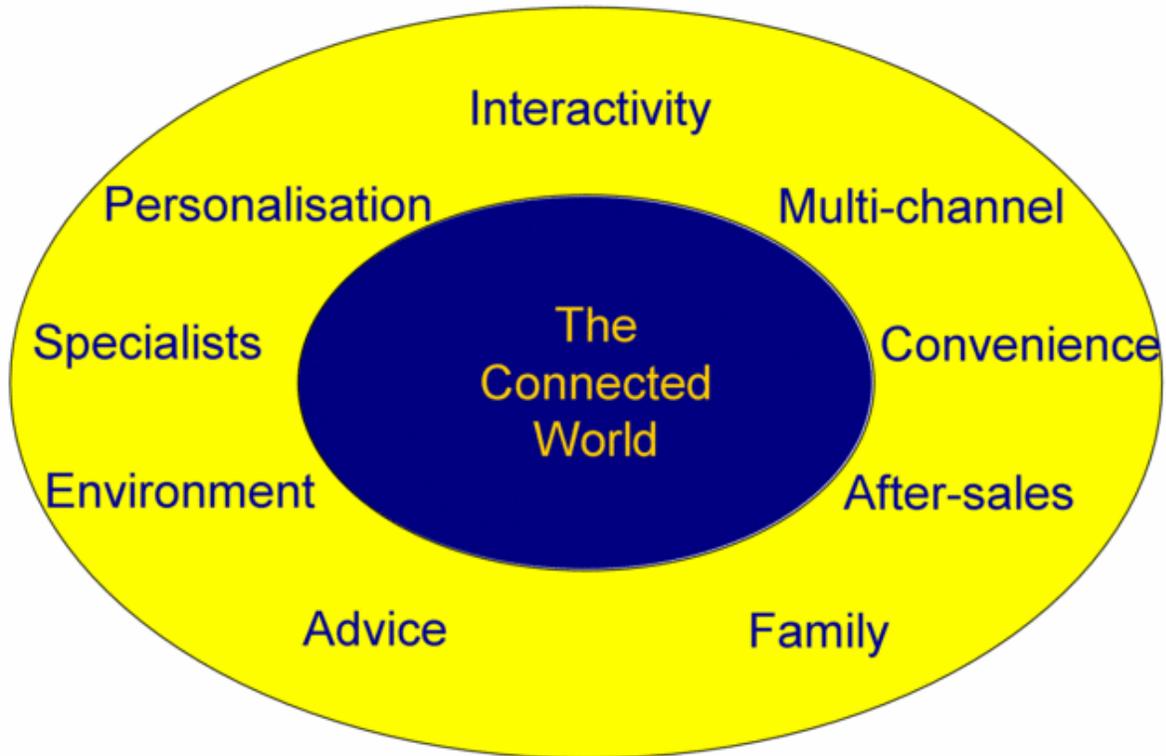
65%

**Poor Quality of
Service/Goods**

45% Lower Price
**35% Representative
Knowledge**
26% Custom Solutions

Source: Accenture 2007 Customer Satisfaction Research

What are the key elements of Best Buy in the U.K.?



The multi-channel imperative

Best Buy's U.S. multi-channel customers are its best customers

- Multi-channel customers transact twice as much as single channel customers, spending 95% more and generating 80% more margin

A multi-channel business model is an essential element to Best Buy's growth strategy

Transactional Business Model

Premise-based
Reactive
Episodic
Slow to evolve
Expensive to maintain



Relationship-based Business Model

Virtually-based
Proactive
Evergreen
Rapid evolution
Cost-effective

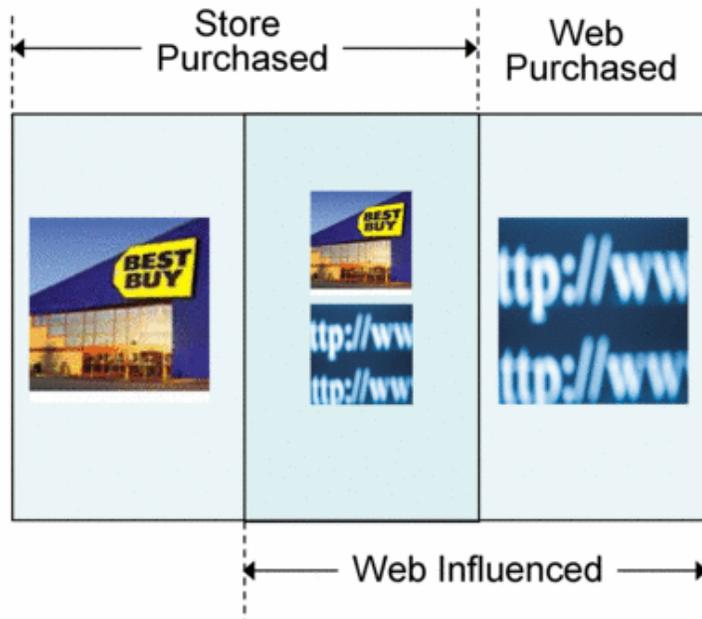
Shifting channel spend

~1/3

Of CE goods in Best Buy's categories to be sold online by 2012

~2/3

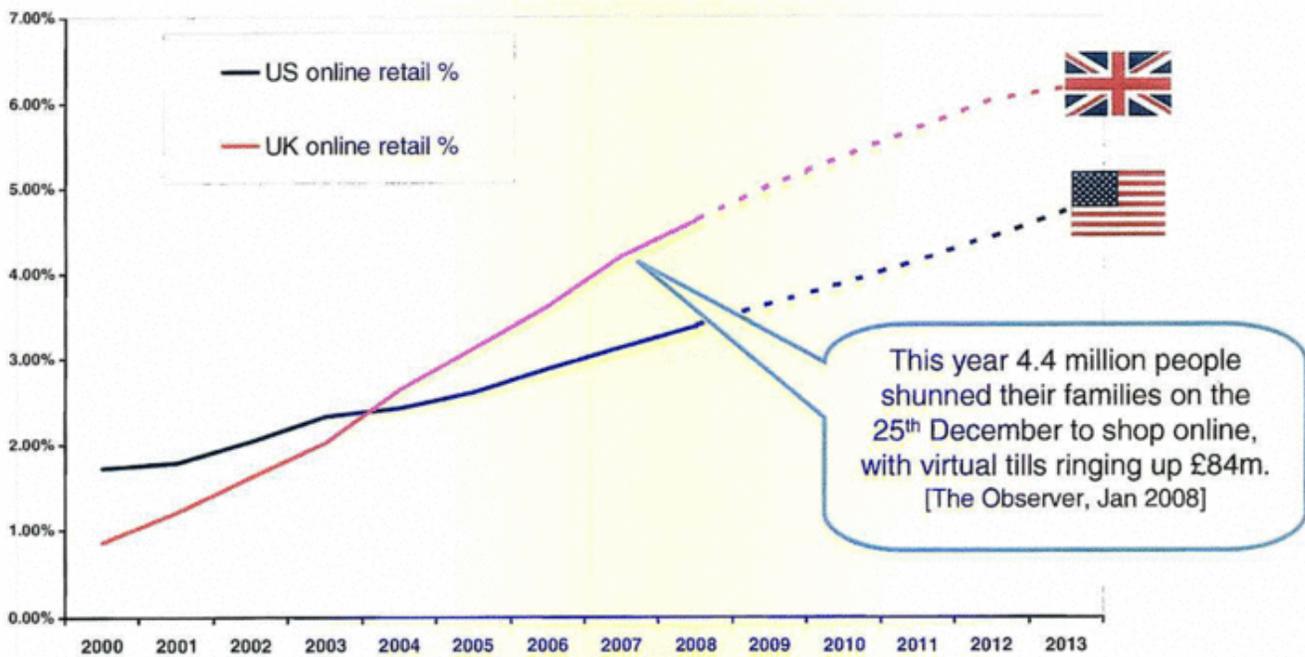
Of CE goods in Best Buy's categories to be web-influenced by 2012



Source: Forrester's October 2006, "US eCommerce: Five-Year Forecast And Data Overview"

U.K. online growth has outstripped the growth of the U.S. online business and looks set to continue

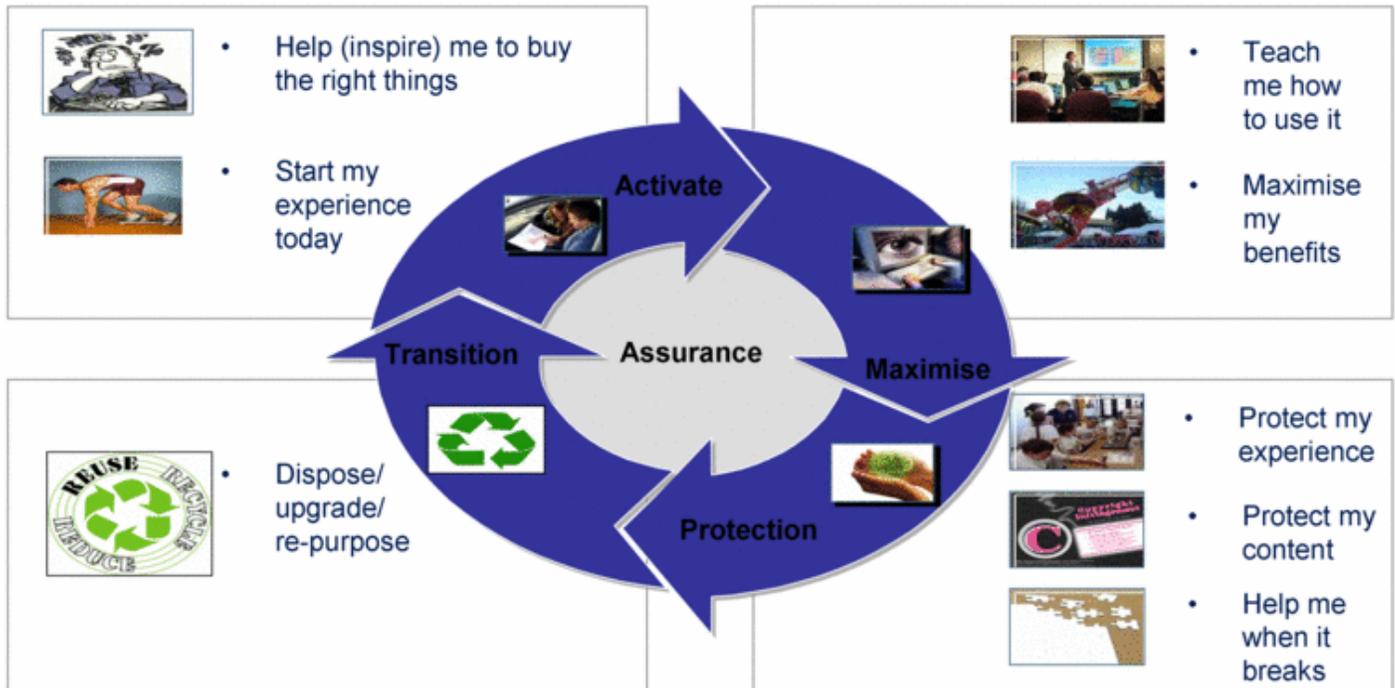
Online sales as a % of total retail sales 2000 - 2013



Geek Squad will be an integral element



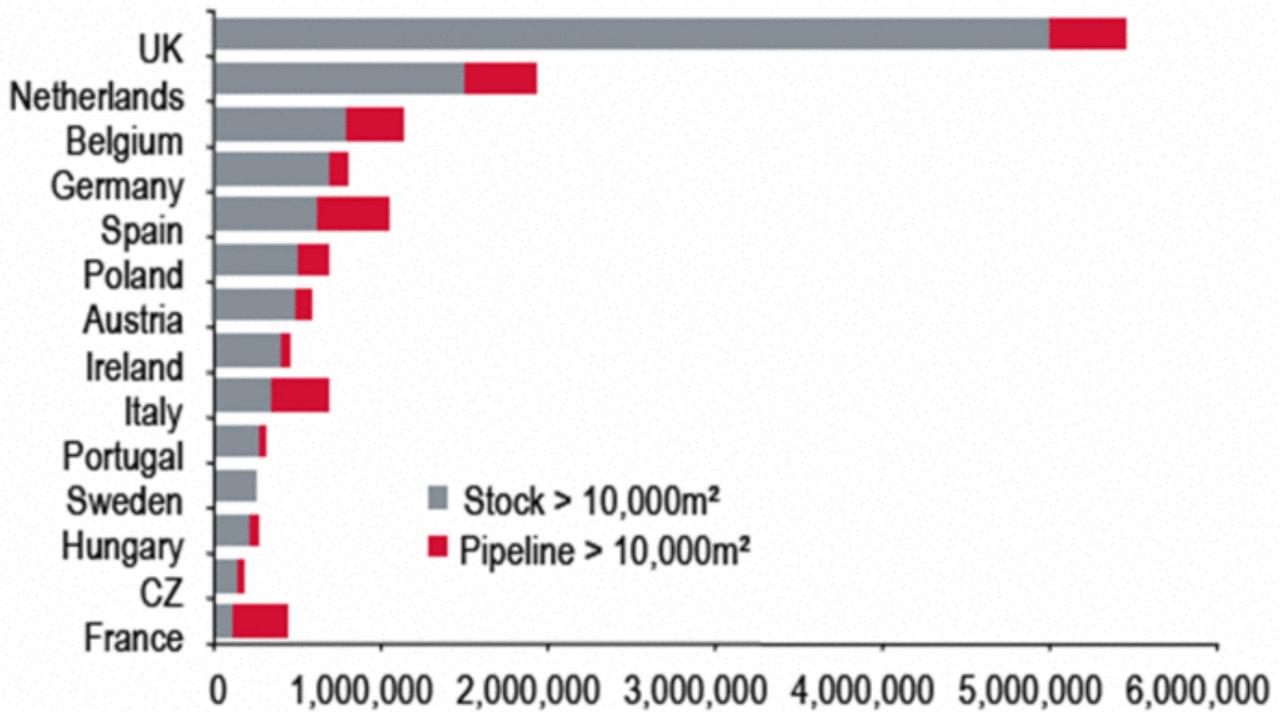
We are developing a full set of propositions to support the full lifecycle of customer needs



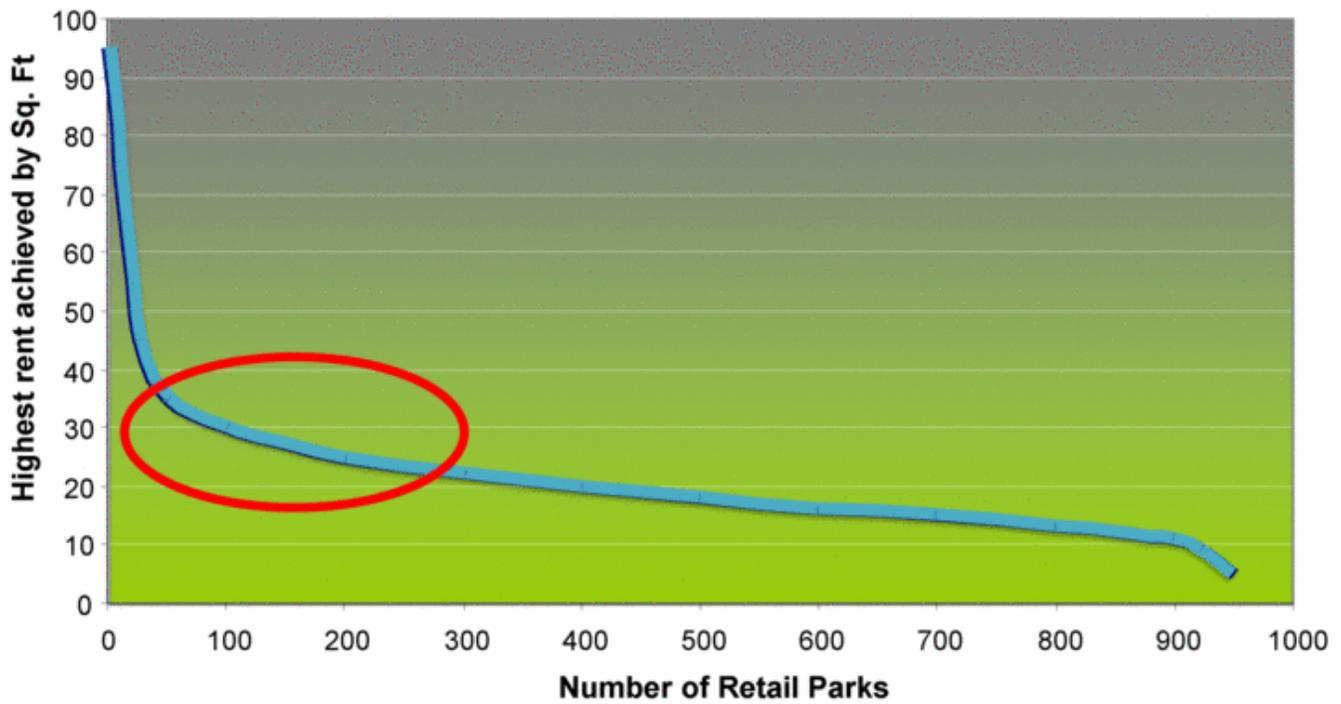
European 'big box' property market

- Generally, government planning policy in all EU markets continues to be protectionist to the town centres and inner cities, unlike the U.S. mall expansion
- However, the pipeline of new retail park 'big box' space remains strong despite the economic slow down
- The new retail space pipeline in Europe is expected to grow by 16% over the next 3 to 4 years – about 170 million sq ft of new space
- Spain is due to open an additional 25 million sq ft of new retail space by end of 2009 both in and out of town

Retail parks >10,000m² stock & pipeline until 2011



We're targeting rents of £25-40/sq. ft

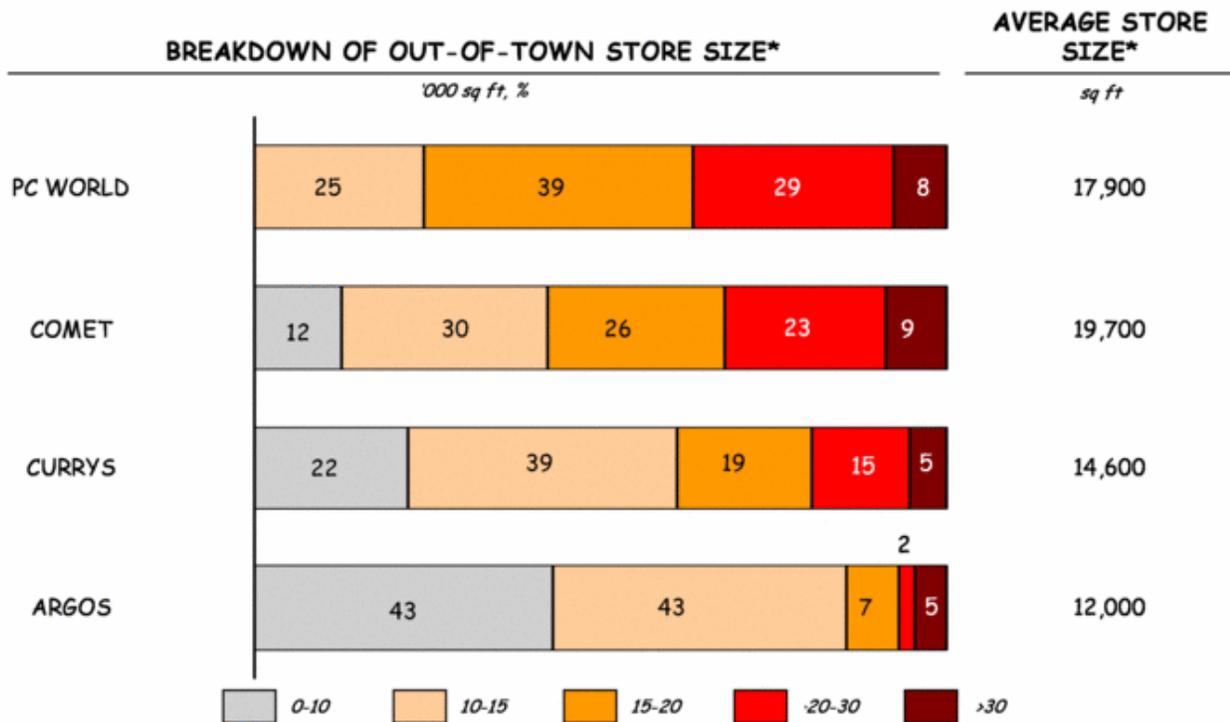


Property strategy

- Stores to be 25-30,000 sq ft
- Preferably “bulky goods” planning consent – up to 30% cheaper than “open A1” (no restrictions on products)
- Geographically clustered at launch
- No shortage of opportunities in present climate



Average store sizes of incumbents are 15-20k sq ft



*Gross size, includes warehousing

Source: GOAD database, Trevor Wood associates database, McKinsey

.....larger stores are expected to generate larger returns

U.K. first store expected to open:
Summer 2009



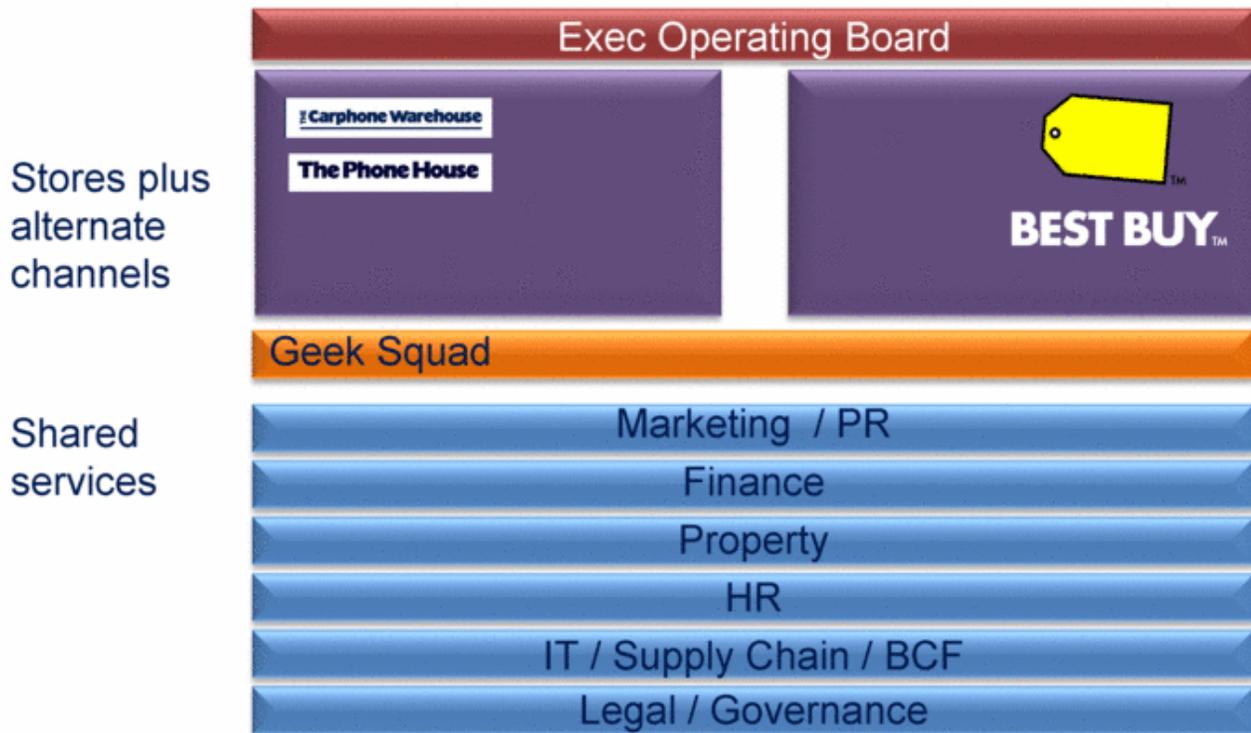
Targeted expansion in Europe

CPW TPH CPW TPH

Summer 2009 ...then... ...moving towards...

TPH CPW TPH

Company operating model



Typical store economics

- Based on a 30,000-sq-ft store
- Sales/ sq ft £600-700 – 3-4 years' maturity profile
- Store margin 7%+ at maturity (net of marketing)
- Central overhead ~2.0% of sales, longer term leverage
- £2m capex per store, plus ~£1.5m working capital
- Source: company internal data

Short-term financial impact

- Start-up costs of up to £20m in current year and up to £30m in 09/10
- Small capex this year; up to £40m next year covering stores, IT and logistics, and multi channel strategy
- All dependent on rate of new store openings

Source: company internal data

Financial goals for BBY Europe

- Our goal is to double revenue and operating income between March 2008 and March 2013*
- Base figures are £3.1bn (\$5.6bn) and £175m (\$315m), respectively*
- Guidance includes Best Buy Mobile profit share but not its revenue
- Post-tax ROIC on big box rollout anticipated in mid-teens

- A subsidiary of Best Buy Co., Inc. acquired a 50% interest in Best Buy Europe on June 30, 2008. Base figures are presented on a stand-alone basis for Best Buy Europe and do not reflect US GAAP adjustments, purchase accounting or the adjustment for minority interest (as The Carphone Warehouse holds a 50% minority interest in Best Buy Europe). As such, these base figures do not reflect the full actual results that will be reported by Best Buy Co., Inc., in its consolidated statements of earnings.

Revenue goal



Source: internal company estimates



Brian Dunn

*President and Chief Operating
Officer, Best Buy*

The Company We Keep



SONY

speakeasy



PACIFIC SALES

Nintendo

MAGNOLIA
AUDIO VIDEO



LG



SAMSUNG



五星电器
FIVE STAR APPLIANCE

Microsoft

BEST BUY mobile
your phone, your way

DELL™

INSIGNIA

TOSHIBA



百思买™

FUTURE SHOP™

BEST BUY
For Business



THE Carphone
Warehouse

The Company We Keep



Recap of our Strategic Update

- **Carphone's retail model continues to evolve**
- **Best Buy Mobile exemplifies our ability to work together successfully**
- **The European marketplace offers tremendous opportunity**
- **We plan to leverage what we learn across all of our markets**
- **We believe our strategy has global application**

Your Questions



Return on Invested Capital (ROIC)

$$\text{ROIC} = \frac{\text{NOPAT}_{\text{ (as adjusted) }}}{\text{Adj. avg. invested capital}}$$

Operating Income

+ Net Rent Expense

- Depreciation portion of rent

- Tax Expense

= NOPAT

Total Equity

+ Long-term debt

+ Capitalized operating leases

- Excess cash

= Adj. avg. invested capital

* Please refer to the company's annual report for additional information on

ROIC

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