Best Buy Co. Inc. (BBY)

Updated March 9th, 2025 by Prakash Kolli

Key Metrics

Current Price:	$79	**5 Year CAGR Estimate:**	6.2%	**Market Cap:**	$16.98B
Fair Value Price:	$70	**5 Year Growth Estimate:**	4.0%	**Dividend Date:**	03/25/25
Fair Value:	113%	**5 Year Valuation Multiple Estimate:**	-2.4%	**Dividend Payment Date:**	04/15/25
Dividend Yield:	4.8%	**5 Year Price Target**	$86	**Years Of Dividend Growth:**	22
Dividend Risk Score:	B	**Retirement Suitability Score:**	A	**Rating:**	Hold

Overview & Current Events

Best Buy Co. Inc. is one the largest consumer electronics retailers in North America with operations in the U.S. and Canada. Best Buy sells consumer electronics, personal computers, software, mobile devices, and appliances and provides services. At end of Q4 FY2025, Best Buy operated 891 Best Buy stores and 25 Best Buy Outlet Centers in the U.S., 20 Pacific Sales Stores, 21 Yardbird Stores, 129 Best Buy stores in Canada, and 31 Best Buy Mobile Stand-Alone Stores in Canada. Best Buy exited its Mexico operations in fiscal 2021. The company continues to lower total store count, continuing a long-term trend. The company's annual sales exceeded $13.5B in fiscal 2025.

Best Buy reported Q4 FY2025 results on March 4th, 2025. Enterprise revenue decreased to $13,948M from $14,646M and non-GAAP diluted earnings per share decreased to $2.58 from $2.72 on a year-over-year basis. GAAP diluted EPS declined to $0.54 from $2.12 on a good will right down. Comparable enterprise revenue increased +0.5%.

Domestic revenue fell (-5.2%) to $12,715M from $13,419M, driven by less selling weeks, offset by a rise in comparable sales. Sales were lower for 3 out of 5 categories: Computing and Mobile Phones (+6.5%), Consumer Electronics (-2.2%), Appliances (-11.4%), Entertainment (-10.9%), and Services (+9.9%). Comparable domestic online sales increased +2.6% to $5.02B compared to the prior year. Domestic online sales comprised about 39.5% of total domestic revenue.

International segment revenue fell (-0.2%) to $1,233M from $1,236M year-over-year due to foreign exchange, one less selling week, and a comparable sales increase in Canada. Sales were higher in 3 out of 5 categories: Computing and Mobile Phones (+8.5%), Consumer Electronics (-0.7%), Appliances (+4.9%), Entertainment (-3.9%) and Services (+6.2%).

Best Buy set FY 2026 guidance at revenue of $41.4B to $42.2B and non-GAAP diluted EPS at $6.20 to $6.60.

Growth on a Per-Share Basis

Year[1]	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS[2]	$2.78	$3.56	$4.42	$5.32	$6.07	$7.91	$10.01	$7.08	$6.37	$6.37	***$6.40***	***$7.79***
DPS	$0.92	$1.12	$1.36	$1.80	$2.00	$2.20	$2.80	$3.52	$3.68	$3.76	***$3.80***	***$4.62***
Shares[3]	324	311	283	266	256	257	227	218	217	215	***211***	***191***

Best Buy's diluted non-GAAP EPS growth has been volatile because of the Great Recession and the transition to online shopping. In fact, sales growth was flat-to-negative from fiscal 2012 to 2017. However, the company's efforts to prioritize online sales growth, optimize store count and extract cost efficiencies led to organic sales growth and higher earnings accelerated by the COVID-19 pandemic. But now sales declined as consumers returned to more normal buying habits and federal stimulus dollars expired. Additionally, inflation and supply chain disruptions impacted margins. We expect tariffs to affect demand and sales of electronics and appliances. The company is attempting to add incremental revenue by offering Health Services remote monitoring, vendor-sponsored retail ads, and it acquired Yardbird.

We are forecasting on average 4% EPS and DPS growth out to fiscal 2031, but it will be uneven.

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[1] Best Buy's fiscal year ends at the beginning of February and the company reports one year ahead. All tables are in fiscal year.

[2] Diluted non-GAAP EPS including restructuring charges, intangible asset amortization, and acquisition-related transaction costs.

[3] Share count in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
P/E	12.5	10.1	12.7	13.3	11.9	11.3	8.2	11.6	12.5	12.4	***12.4***	***11.0***
Yld.	2.7%	3.1%	2.4%	2.6%	2.8%	2.5%	3.4%	4.5%	4.7%	4.8%	***4.8%***	***5.4%***

Best Buy's stock price is down again since our last report despite beating estimates. Comparable sales returned to positive territory, but tariffs are now a concern. The firm performed better than expected in FY 2025. We set our FY 2026 earnings estimate at the mid-point of updated guidance. Our fair value estimate is 11X, slightly lower than the trailing 5-year average. Our fair value is now $70. Our 5-year price target is now $86.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	33%	31%	31%	34%	33%	28%	28%	50%	58%	59%	***59%***	***59%***

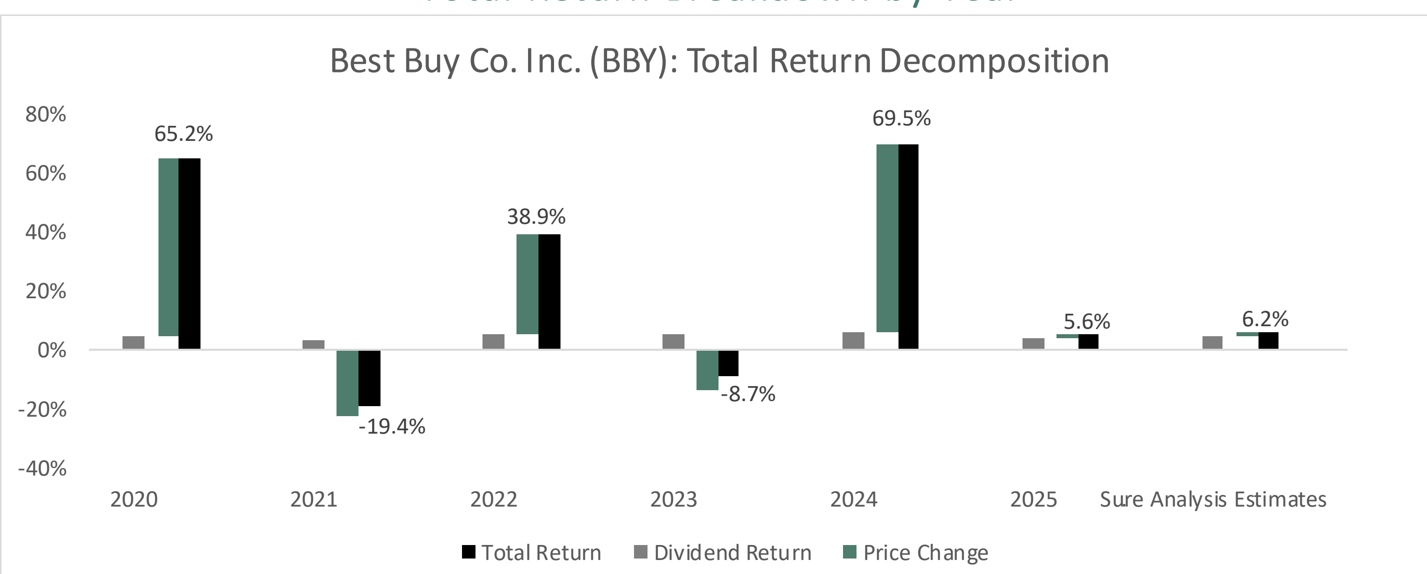
Although BestBuy is one of the largest electronics retailers by revenue, it has no significant advantage. Both Walmart and Costco sell electronics and have scale and cost advantages. Best Buy is also not the clear market leader for online electronics retailing. However, Best Buy's Geek Squad and TotalTech services offer advantages relative to traditional retailers providing a level of expertise and service not typically found at other retailers. Also, the firm has about seven million paid membership customers, providing another advantage for installation and services.

Best Buy has a solid balance sheet with no short-term debt, $10M in current long-term debt, and $2,282M in long-term debt that is offset by $1,578M in cash, equivalents, and short-term investments. The leverage ratio is 0.69X.

Final Thoughts & Recommendation

At present we are forecasting 6.2% annualized total return over the next five years from a dividend yield of 4.8%, 4% EPS growth, and (-2.4%) P/E multiple contraction. Best Buy's sales returned to organic growth after 11 declining quarters. The firm is leveraging its store base for online order fulfillment and offering services. However, tariffs and inflation remain a downside risk. The dividend yield may interest those seeking income, but we now expect a slower dividend growth rate because of the higher payout ratio. We have maintained our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	39528	39403	42151	42879	43638	47262	51761	46298	43452	41528
Gross Profit	9191	9440	9876	9961	10048	10573	11640	9912	9603	9385
Gross Margin	23.3%	24.0%	23.4%	23.2%	23.0%	22.4%	22.5%	21.4%	22.1%	22.6%
SG&A Exp.	7618	7547	8023	8015	7998	7928	8635	7970	7876	7651
D&A Exp.	657	654	683	770	812	839	869	918	923	866
Operating Profit	1573	1893	1853	1946	2050	2645	3005	1942	1727	1734
Op. Margin	4.0%	4.8%	4.4%	4.5%	4.7%	5.6%	5.8%	4.2%	4.0%	4.2%
Net Profit	897	1228	1000	1464	1541	1798	2454	1419	1241	927
Net Margin	2.3%	3.1%	2.4%	3.4%	3.5%	3.8%	4.7%	3.1%	2.9%	2.2%
Free Cash Flow	694	1977	1453	1589	1822	4214	2515	894	675	1392
Income Tax	503	609	818	424	452	579	574	370	381	372

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	13519	13856	13049	12901	15591	19067	17504	15803	14967	14782
Cash & Equivalents	1976	2240	1101	1980	2229	5494	2936	1874	1447	1578
Acc. Receivable	1162	1347	1049	1015	1149	1061	1042	1141	939	1044
Inventories	5051	4864	5209	5409	5174	5612	5965	5140	4958	5085
Goodwill & Int.	443	443	443	915	984	986	1659	1383	1383	908
Total Liabilities	9141	9147	9437	9595	12112	14480	14484	13008	11914	11974
Accounts Payable	4450	4984	4873	5257	5288	6979	6803	5687	4637	4980
Long-Term Debt	1734	1365	1355	1388	1271	1377	1139	1176	1152	1154
Total Equity	4378	4709	3612	3306	3479	4587	3020	2795	3053	2808
D/E Ratio	0.40	0.29	0.38	0.42	0.37	0.30	0.38	0.42	0.38	0.41

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.2%	9.0%	7.4%	11.3%	10.8%	10.4%	13.4%	8.5%	8.1%	6.2%
Return on Equity	19.1%	27.0%	24.0%	42.3%	45.4%	44.6%	64.5%	48.8%	42.4%	31.6%
ROIC	14.1%	20.2%	18.1%	30.3%	32.6%	33.6%	49.1%	34.9%	30.4%	22.7%
Shares Out.	351	323	307	281	258	255	249	226	219	217
Revenue/Share	112.71	122.14	137.26	152.38	162.77	179.70	207.63	205.13	198.87	191.73
FCF/Share	1.98	6.13	4.73	5.65	6.80	16.02	10.09	3.96	3.09	6.43

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.