

AN IN-DEPTH ANALYSIS OF BEST BUY

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COMPANY OVERVIEW

Best Buy Company Inc. (BBY)

PRICE: **SIENA Target Price:** **S&P500:** **DJIA:** **S&P"Industry":**
\$33.20 **\$39.97** **815.94** **7,776.18** **591.7**

Location: South Richfield, Minnesota

Industry: Computer & Electronic Retail

Description: Best Buy was incorporated in the state of Minnesota in 1966 as Sound of Music, Inc. The company began as an audio components retailer and, with the introduction of the videocassette recorder in the early 1980s, expanded into video products. In 1983, the company changed its name to Best Buy Co., Inc. and began using mass-merchandising techniques, which included offering a wider variety of products and operating stores under a "superstore" concept. In 1989, Best Buy dramatically changed its method of retailing by introducing a self-service, noncommissioned, discount-style store concept designed to give the customer more control over the purchasing process. Today, Best Buy is the world's 9th largest retailer, and by far the largest retailer in the computers and electronics segment.

Company Website: www.bestbuy.com

Market Data

| | | | |
|----------------|------------------|----------------------|------------------------------|
| Market Cap | \$13,353,760,000 | 1 Yr Price App. | -25.35% |
| Price to book | \$2.93 | Country | USA, Canada, China, Europe |
| Beta | 1.43 | Industry | Computer & Electronic Retail |
| Dividend yield | 1.73% | Industry Price | \$15.33 |
| Shares O/S | 413,430,000 | Industry Beta | 1.35 |
| Current price | \$33.20 | Country Risk Premium | 9.06% |
| 52 week range | \$31.61 | Risk Free Rate | 2.63% |

| Valuation | Current | 2009E |
|------------------|---------|--------|
| EPS | \$2.94 | \$2.46 |
| P/E | 11.31 | 13.51 |
| CFPS | \$4.68 | \$4.28 |
| P/CFPS | 7.15 | 7.82 |



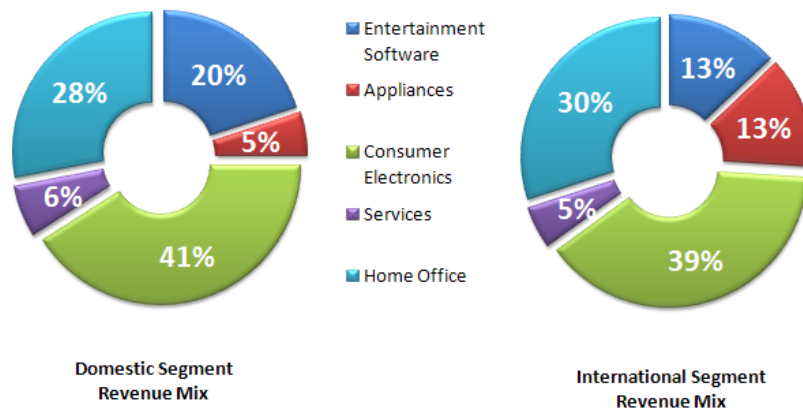
One Year Stock Price Performance Bloomberg

COMPANY DESCRIPTION

1. Products and Segments

Best Buy, Inc. operates retail stores and Web sites under the brand names Best Buy, Five Star, Future Shop, Geek Squad, Magnolia Audio Video, Pacific Sales Kitchen and Bath Centers, and Speakeasy. Through its different brands, Best Buy has offerings in 6 different revenue categories: consumer electronics, home office, entertainment software, appliances, services, and other.

During fiscal 2008, the company reported two segments: Domestic and International.



The Domestic segment is comprised of all states, districts and territories of the United States and includes store, call center and online operations. It includes Best Buy U.S., Best Buy Mobile U.S., Geek Squad U.S., Magnolia Audio Video, Pacific Sales, and Speakeasy.

BestBuy

U.S. Best Buy stores offer a wide variety of consumer electronics, home office products, entertainment software, appliances and related services. Best Buy is able to increase the range of products and services available in its stores by including additional in-store sections, know as store-within-a-store. Store-within-a-store offers include a section for Apple products, a Best Buy Mobile section, and Dell computers. Additionally, Best Buy's Geek Squad subsidiary provides residential and commercial computer repair, support and installation services.

BestBuy.com

In fiscal 2000, Best Buy established its first online shopping site, BestBuy.com. Following a “clicks-and-mortar” strategy, BestBuy.com is designed to empower consumers to research and purchase products seamlessly, either online or in our retail stores. The Best Buy online shopping sites offer expanded assortments in all of the company’s principal revenue categories.

Best Buy Mobile

In order to enter the mobile business, Best Buy entered into a joint venture with UK mobile retailer Carphone Warehouse in 2006, which led to the creation of Best Buy Mobile. Best Buy Mobile provides a comprehensive assortment of mobile phones, accessories and related services. Since 2007, the company has been incorporating mobile sections in its existing stores, applying the “store-within-a-store” concept. Best Buy refers to in-store mobile stores as the Best Buy Mobile Experience, to distinguish them from the stand-alone stores. By entering the mobile market, Best Buy intends to use its retailing and customer service expertise to satisfy the needs of customers better than the competition. As of December 31, 2008, 181 of Best Buy’s 923 stores included a Best Buy Mobile store. Within the next 18 months, Best Buy plans to have a Best Buy Mobile section in the majority of its existing and future U.S. Best Buy stores, and to continue adding stand-alone Best Buy Mobile stores in shopping malls.

Geek Squad

In fiscal 2003, Best Buy acquired Geek Squad Inc., a provider of support and installation services. The reason behind the Geek Squad acquisition was provide a high quality of technology support services to customers. Geek Squad’s services are available in all Best Buy stores, as well as in seven stand-alone stores in the U.S.

Magnolia

In 2001, Best Buy acquired Magnolia Hi-Fi, Inc., a high-end retailer of audio and video products and services. The Magnolia acquisition gave Best Buy access to an upscale customer segment. In 2005, Best Buy opened its first Magnolia Home Theater store-within-a-store experience in a U.S. Best Buy store. Magnolia Home Theater stores provide Best Buy stores with high-end brands, home-like displays and specially trained employees. At the end of 2008, the Magnolia Home Theater store-within-a-store experience was present in 346 U.S. Best Buy stores.

Pacific Sales

In 2007, Best Buy acquired Pacific Sales, a California-based company that specializes in the sale of high-end kitchen appliances, plumbing fixtures, home entertainment products and home furnishings, with a focus on builders and remodelers. The acquisition was motivated by Best Buy’s desire to grow into a more affluent customer base. Pacific Sales offers premium brands using a proven and successful showroom format. Utilizing the existing store format, Best Buy expects to increase the number of stores in order to capitalize on the high-end segment of the U.S. appliance market.

Speakeasy

In 2008, Best Buy acquired Speakeasy, a provider of broadband, voice, data and information technology services. Best Buy believes that the acquisition will generate synergies by providing new technology solutions for its existing and future customers.

The International segment includes operations in Canada, China and the United Kingdom. Canadian operations include 131 Future Shop stores, 51 Best Buy stores, and a Best Buy website (BestBuy.ca). Chinese operations are comprised of 160 Five Star stores, and 1 Best Buy store. After acquiring 50% of The Carphone Warehouse’s retail business in Europe on June 30, 2008, Best Buy has expended its Geek Squad subsidiary to the U.K. Having successfully test-marketed stand-alone Best Buy stores in the U.S., Best Buy has decided to open thousands more Best Buy Mobile stores in Europe. As illustrated by the Carphone Warehouse deal, Best Buy is now implementing a major expansion strategy into the European market.

Future Shop

Best Buy's International segment was first established in connection with the acquisition of Canada-based Future Shop Ltd. in 2002. Future Shop was already the leading consumer electronics retailer in Canada before the acquisition, but the deal provided Best Buy with an opportunity to leverage its operational expertise in consumer electronics retailing and customer service.

Best Buy Canada

During fiscal 2003, Best Buy launched a dual-branding strategy in Canada by introducing the Best Buy brand. By maintaining two separate brand names, the dual-branding strategy allows Best Buy to retain Future Shop's brand equity and attract more customers by offering a choice of store experiences. As the company expands the presence of Best Buy stores in Canada, it expects to gain continued operating efficiencies by leveraging capital investments, supply chain management, advertising, merchandising and administrative functions.

Five Star Appliances

In 2007, Best Buy acquired a 75% interest in Five Star, one of China's largest appliance and consumer electronics retailers. The investment in Five Star illustrates Best Buy's international growth strategy, and allowed the company to increase its knowledge of Chinese customers, preparing the path to future further expansion into the Chinese market. Best Buy also has a contractual commitment to acquire the remaining 25% interest in Five Star within the next several years, although the transaction will be subject to the Chinese government's approval.

Best Buy China

In fiscal 2007, Best Buy opened its first China Best Buy store in Shanghai, and the company plans to open five to eight additional Best Buy stores in China during fiscal 2009.

Best Buy Europe

In September 2006 The Carphone Warehouse and Best Buy had reached an agreement on the terms of two new commercial initiatives: a standalone mobile retail business in the US market operating under the Best Buy Mobile brand, and a home computing customer service business in the UK under the Geek Squad brand. The Carphone Warehouse is Europe's largest independent retailer of mobile phones and related services, with over 2,400 stores across nine countries. Having successfully test marketed several stand-alone Best Buy Mobile stores in the U.S., Best Buy offered to acquire 50% of The Carphone Warehouse's European business for \$2.1 billion. The deal was concluded on June 30, 2008, making Best Buy the owner of a 50% stake in the European firm's entire retail operations, including the insurance operations, and the airtime reselling business. While both companies declined to say how many Best Buy stores will open in Europe, they did say the stores will come in a range of sizes and will start opening in 2009. Best Buy's investor relation literature indicates that the first European Best Buy store is expected to be opened in the U.K. in the summer of 2009. In October 2006, Carphone Warehouse provided details of its European expansion plans, and talked about 100 Best Buy stores built within the next five years.

2. Mission

According to the company's annual reports, Best Buy's vision is to make life fun and easy for consumers. The company's stated mission is to treat customers as unique individuals, meeting their needs with end-to-end solutions, and engaging and energizing its employees to serve them, while maximizing overall profitability.

3. Strategy

The company's business strategy is to maximize long-term revenue growth, and is based on two main aspects: consumer centricity, and international expansion. The company's business strategy is to maximize long-term revenue growth, and is based on two main aspects: consumer centricity, and international expansion.

Consumer Centricity

Best Buy has been talking about customer centricity for the last five years. According to the company CEO, Best Buy is being re-engineered from a product-centered company to one with the capability to provide a trusted perspective in this exciting but challenging digital era. Best Buy intends to become a “trusted advisor capable of helping customers use technology the way they dreamed”. By learning how to see the differences in the desires of its consumers, Best Buy believes it will be better able to meet them. Stores operating under the customer centricity model offer variations in product assortments, staffing, promotions and store design, and are focused on key customer segments. The segmented stores tailor their store merchandising, staffing, marketing and presentation to address specific customer groups.

By the end of fiscal 2007, Best Buy had completed the transition of all of its U.S. Best Buy stores to the customer centricity operating model. Also in fiscal 2007, Best Buy improved its customer centricity segmentation to address the needs of customer lifestyle groups, rather than specific customer groups. For example, Best Buy stores now focus on lifestyles such as affluent suburban families, trend-setting urban dwellers, and the closely knit families of Middle America.

Growth

Best Buy has the track-record of a high growth company. In order to continue increasing revenue growth, Best Buy extended new and improved offerings to the consumer with the launch of Best Buy Mobile, the Apple store-within-a-store roll-out and the addition of Dell computers. The second component of Best Buy’s growth strategy is to increase its international presence, as illustrated by its significant investments in Canada and China, and the creation of Best Buy Europe. The company also intends to explore several new revenue categories, customer segments and businesses that are adjacent to or complementary to what they have today. For example, Best Buy plan to extend its offerings of select musical instruments to more U.S. Best Buy stores, to continue to expand offerings to female and Hispanic customers, and to begin selling private-label products to other retailers internationally.

4. Customers

Looking forward, Best Buy’s investment plans for 2009 include the opening of approximately 140 new stores, adding more Apple store-within-a-store locations, launching Best Buy stores and Web sites in Mexico and in Turkey (early 2010), and continue its expansion into the European market.

Best Buy customers are mostly individual consumers, which Best Buy categorizes in three main segments: affluent suburban families, trend-setting urban dwellers, and the closely knit families of Middle America. While the majority of Best Buy’s customers are American consumers, the international proportion of customers has is growing at a fast pace, with revenue from the international segment now representing 17% of Best Buy’s total revenue.

5. Suppliers

Best Buy’s success partly depends on its ability to offer customers a broad selection of name-brand products and, therefore upon satisfactory and stable supplier relationships. In fiscal 2008, Best Buy’s 20 largest suppliers accounted for just over 60% of the merchandise purchased, with five suppliers — Sony, Hewlett- Packard, Samsung, Apple, and Toshiba — representing just over one-third of total merchandise purchased. The loss of or disruption in supply from any one of these major suppliers could have a material adverse effect on the company’s revenue and earnings, and while Best Buy generally does not have long-term written contracts with its major suppliers, there is no indication that any of these suppliers plans to discontinue selling them merchandise. Best Buy has not experienced any significant difficulty in maintaining satisfactory sources of supply, and expects that adequate sources of supply will continue to exist for the types of merchandise that it sells.

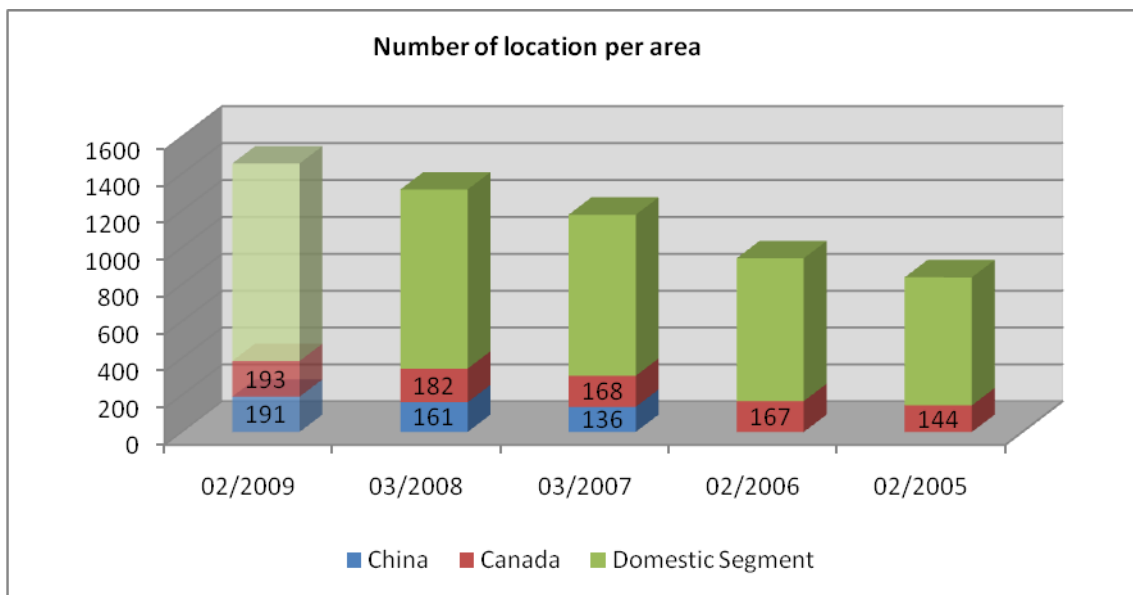
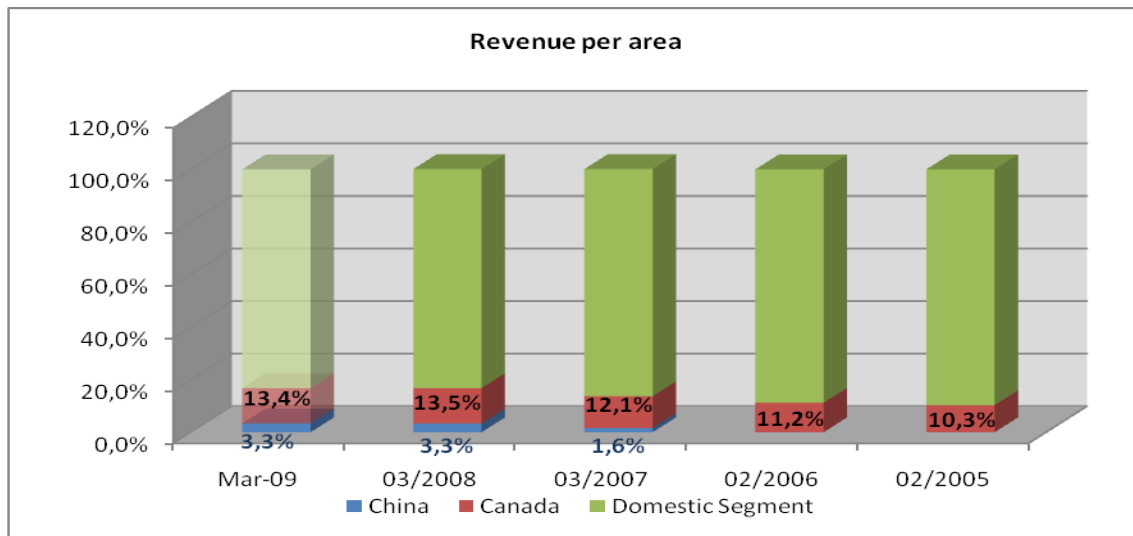
As of March 1, 2008, the percentage of shares beneficially held by directors and executive officers (28 people) was 19 percent. Founder and Chairman Richard M. Schulze held almost 70 million shares beneficially (approximately 17 percent of shares outstanding).

6. Market and Insiders

As of Dec. 31, 2007, the top institutional shareholders were:

- Capital World Investors 54.1 million shares
- Capital Research Global Investors 29.3 million shares
- The Goldman Sachs Group, Inc. 25.6 million shares
- State Street Global Advisors 12.2 million shares
- Vanguard Group 10.9 million shares

7. Geographical Segmentation



8. Latest Developments

01/21/09

Best Buy Co., Inc. announced that its Board of Directors has appointed Brian J. Dunn to the position of Chief Executive Officer, as part of the Company's succession plan. The appointment is effective on June 24, 2009. Dunn, currently is the Company's President and Chief Operating Officer. In addition, the Company also announced that Bradbury H. Anderson, Vice Chairman and Chief Executive Officer, intends to retire as Chief Executive Officer on June 24, 2009.

02/10/09

Global Markets Direct Financial Deals Tracker reported that Best Buy Co., Inc. acquired 25% stake in Jiangsu Five Star Appliance Co., Ltd., consumer electronics retailer, for a purchase consideration of \$185 million paid in cash. After the acquisition the Company owns 100% stake in Jiangsu Five star.

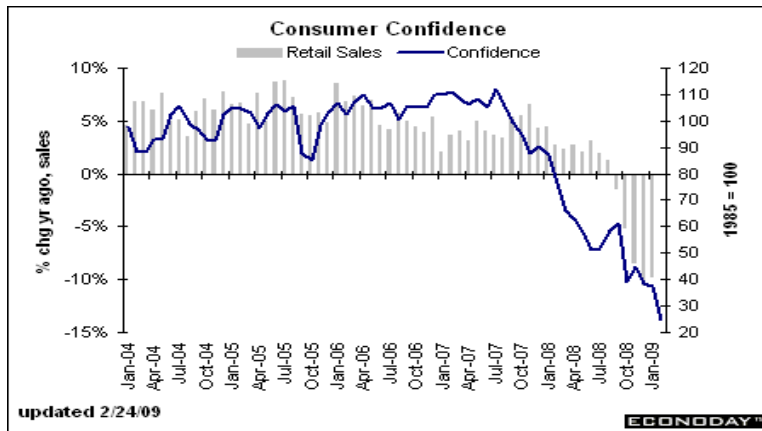
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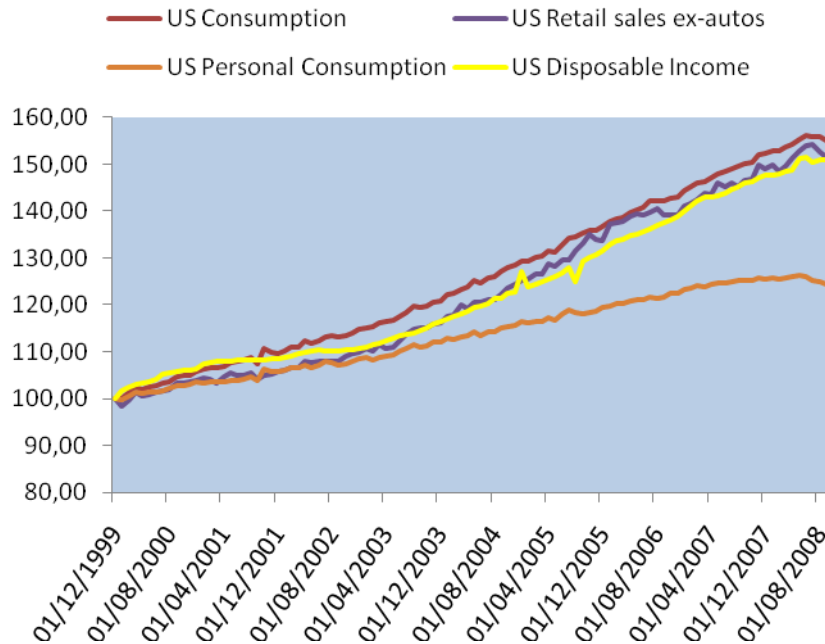
Best Buy Co., Inc. announced that for fiscal 2010, it expects revenue of \$46.5 billion to \$48.5 billion (which assumes \$700 million of pressure due to fluctuations in foreign currency exchange rates), an average increase of 6%, a comparable store sales change of flat to down 5% and earnings per diluted share of \$2.50 to \$2.90, which represents an average decrease of 6% versus fiscal 2009's adjusted diluted EPS. According to Reuters Estimates, analysts were expecting the Company to report revenue of \$47.866 billion and EPS of \$2.45 for fiscal 2010.

INDUSTRY ANALYSIS

1. Industry Overview

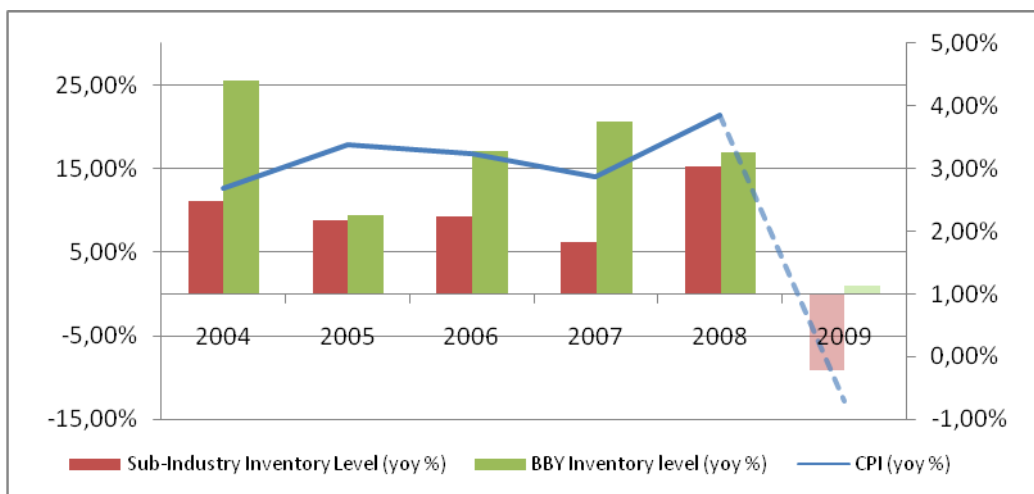
Best Buy Co., Inc. is a member of the consumer electronics store industry. This industry includes 24,000 stores with combined annual revenues of over \$50 billion. This is a highly concentrated industry with the 50 largest firms capturing 80% of total sales. Consumer electronics retailers include national and regional chains and independent retailers. Major chains as well as some regional chains may offer a “superstore” format, which can exceed 30,000 square feet store. Superstores are most often located in large malls in high traffic areas. Other chains may have smaller retail stores located in indoor shopping or strip malls. Chains may also offer a limited selection of products through kiosks, also typically located in malls.





Technological innovation and the need to replace or upgrade products drives demand in this industry. Profitability for individual companies depends on their ability to generate store traffic and repeat business. Large companies, like Best Buy, can offer a wider selection of products, at various prices. Smaller firms however, compete effectively by offering specialized products, technological expertise, or superior customer service.

2. Critical Issues Within the Industry



The retail industry is generally impacted by the change in household disposable income. Accordingly, a key success factor will be to be able to quickly adjust the inventory level to the demand, in order to reduce costs related to inventory. We have compared on the graph above the CPI growth and the change in inventory level for the sub industry and for Best Buy. From 2002 to 2005, the consumer spending index has increased, before recognizing a

downturn. Through the years, we can note that each time there was a decrease in consumer spending index; the sub industry and especially Best Buy was not really successful in adjusting its inventory level. In 2009, Best Buy and the industry plan to decrease their inventory level when the CPI is expected to be -0.7%. The question is if this adjustment in inventory level will avoid an oversupplied market in 2009.

The market is highly saturated and dominated by large retailers making the barriers to entry high. Large retailers such as Best Buy and Wal-Mart have very strong relationships with their suppliers and well established strategies. Additionally, Best Buy and Wal-Mart have higher levels of bargaining power with customers and suppliers because of the size of their distribution channels. While a small specialty retailer may enter the market, the power of larger competitors would most likely drive them out by price-cutting or strength of reputation alone. This price war is partially responsible for Circuit City's collapse. Since Circuit City declared bankruptcy in November of 2008 and is now being liquidated, Best Buy and Radio Shack have seen an increase in their market share from former Circuit City consumers.

3. Barriers to Entry

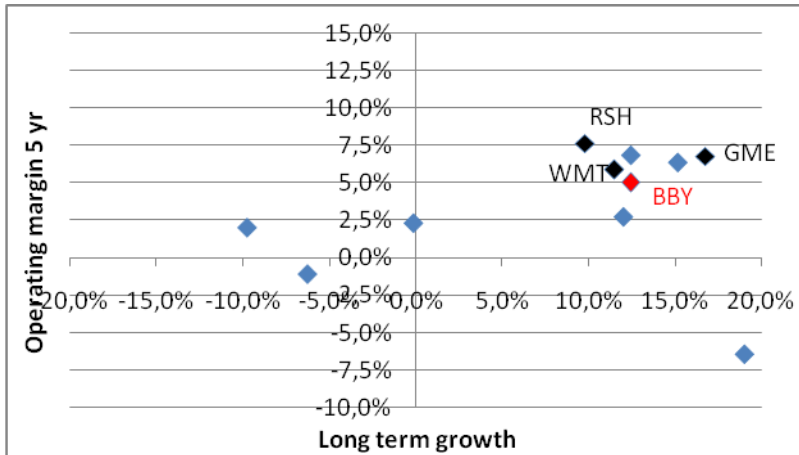
Effective inventory management is critical in order for competitors to meet the demand for certain products while also limiting costs associated with the holding period of inventory. The cost of stocking excess inventory averages 20% to 25% of the value of the goods, according to Lehigh University professor Lawrence Snyder. With rapid advances in technology, and substitute products being released on the market, demand for older products plummets. GXS, a business-to-business supply chain consultant, estimates that the industry loses \$2.5 billion annually on obsolete inventory. In order to deal with these changes; it is imperative that companies within this industry engage in accurate sales forecasting. Using integrated computer systems allows companies to keep track of inventory levels so that supply constantly meets demand.

4. Drivers of Profitability

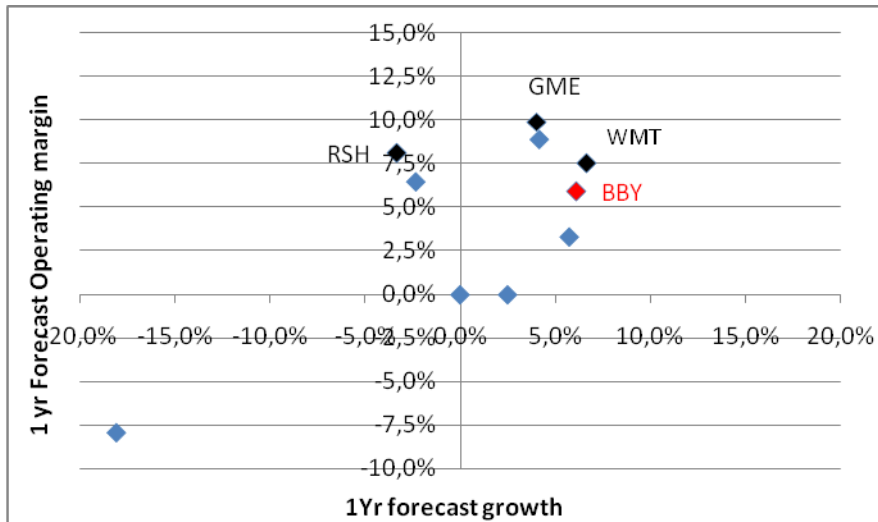
The ability to keep prices low strongly affects profitability in this industry. Although Best Buy commands a large portion of the market share, they lose business to those companies that offer lower prices to their customers. In order to keep prices low, electronic retailers must keep strong relationships with suppliers. Large retailers are usually able to buy their products directly from large manufactures while independent retailers are forced to purchase merchandise through buying groups which makes cost of goods sold significantly higher. Best Buy purchases most of its products directly from large manufactures and relies on five suppliers for about 30% to 50% of its products. This allows them to maintain competitive pricing.

Keeping up with advances in technology also drives profitability within this industry. With new products constantly being introduced, companies must make sure they are able to put these products on their shelves. If competitors are able to supply customers with a specific product through a licensing or contract agreement, Best Buy will lose out on sales. Electronic retailers must make sure they are able to meet the demand for "hot" items such as video games, consoles and MP3 players. In order to meet expected demand, retailers place purchase orders to suppliers in advance. In most cases, there are no returns to manufacturers. Once a store has taken delivery of an item, it owns it.

The cross analysis graphs are attempts to describe how the members of the electronics stores sub-industry progress in term of growth on the current and estimated figures.



We can note that most of the sub-industry players are in the same range of long term growth and operating margin. Best Buy and its direct competitors are above the sub-industry averages of 8.4% and 3.4% for the long term growth and the five years operating margin respectively.



The dispersion in revenue growth and operating margin is more important for the next year. According to the estimates the industry is going to generate fewer sales with only 1.9% of revenue growth in average compared to 8.4% the past five years. This is explained by the decrease in household disposable income and home sales crisis. However, we are pleased to note that the industry will successfully adjust their operating expenses and generate a better operating margin of 7.7% compared to 3.4% in average for the past five years.

5. Competitors

BBY is currently the largest specialty retailer of consumer electronics in North America. This industry is very competitive and is often associated with low profitability. Companies in this industry differentiate on pricing, products offered, or the customer experience in order to capture the market. When largest direct competitor Circuit City filed Chapter 11 bankruptcy in November 2008, Best Buy gained significant market share. Now Best Buy's main competitors consist of Amazon.com, RadioShack Corporation, and Wal-Mart. The chart below gives a company comparison based on key fundamentals.

| Company | Market Cap (\$Mil) | TTM Sales (\$Mil) | Long Term Growth (%) | Current EPS | Forward EPS | Current P/E | Forward P/E |
|------------|--------------------|-------------------|----------------------|-------------|-------------|-------------|-------------|
| Best Buy | 13,833 | 43,709 | 12.67 | 0.27 | 2.53 | 13.25 | 12.04 |
| Amazon.com | 31,029 | 19,166 | 23.06 | 0.3 | 1.46 | 47.63 | 49.55 |
| RadioShack | 1,176 | 4,225 | 9.8 | 0.21 | 1.16 | 6.14 | 8.08 |
| Wal-Mart | 202,718 | 399,884 | 11.5 | 0.76 | 3.52 | 15.11 | 14.68 |

Wal-Mart currently is Best Buy's greatest threat because of their ability to offer lower prices. As the economy continues to suffer, Wal-Mart will continue to do well because consumers will seek out stores where they know they can find the lowest prices. Target and Costco also tend to beat Best Buy in terms of pricing and have taken away from Best Buy's sales. In addition, Best Buy has lost market share to companies such as Amazon.com that sell electronics via the internet. Consumers enjoy the convenience of online shopping and find that it makes comparison of products easier allowing them to shop around for the deal.

Best Buy differentiates itself from its competitors with its customer service and their "unmatchable" selection of merchandise. As a result, boutique stores such as RadioShack have a tougher time competing with Best Buy. RadioShack is Best Buy's most direct competitor since the fall of Circuit City despite its significantly smaller market cap and product offerings. However, most of RadioShack's products are focused around wireless communications. Best Buy not only offers more consumer electronics but also offers Best Buy Mobile in-store Best Buys and Best Buy Mobile stand alone stores. This strategy has successfully taken over a large portion of RadioShack's market share.

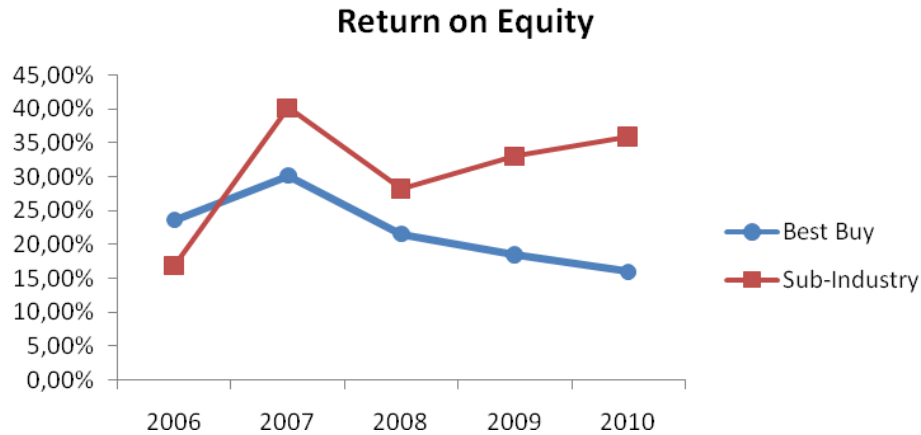
Smaller players in the industry include Conn's Inc., HHGregg Incorporated and Rex Stores Corporation. These companies have market share of less than 500. Certain companies such as Gamestop and Sears tend to dominate sales of certain items such as videogames and washing machines, respectively. By focusing on the shopping experience and its wide assortment of products, Best Buy is in a better position to act on new growth opportunities. Once the economy turns, it is likely that Best Buy will stand out against competitors and become the dominant specialty retailer within the consumer electronics industry.

COMPANY ANALYSIS

1. Ratios (company vs. competitors vs. industry)

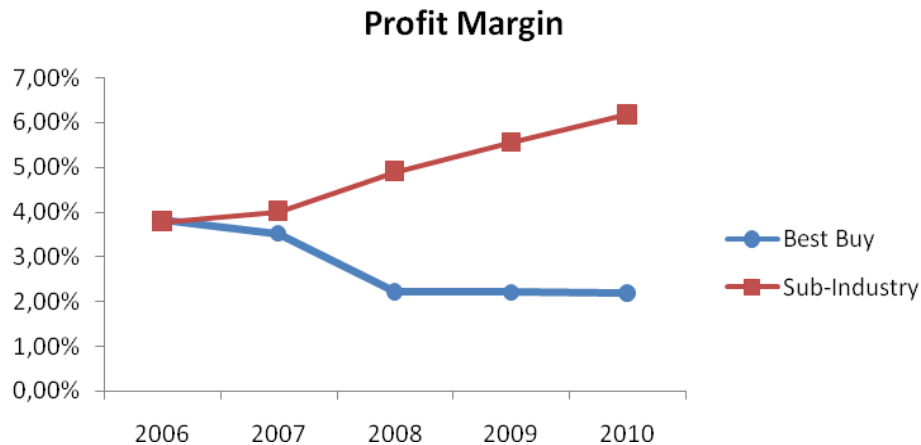
The DuPont Analysis will be used here to determine where the company is underperforming, or outperforming the industry. We explore this by breaking down into 3 pieces the Return on Equity ratio as the multiplication of:

- Profit margin, measuring operating efficiency.
- Total Asset Turnover, measuring asset use efficiency.
- Equity multiplier, measuring financial leverage



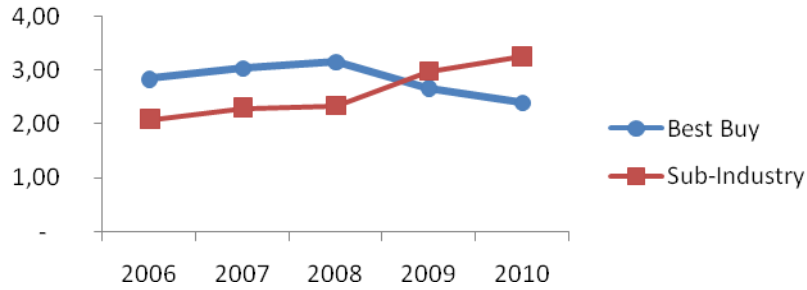
Best Buy is underperforming the industry as indicated by Return on Equity, with a spread going from +6.75% in 2006 to an estimated -19.95% in 2010. While Best Buy follows a negative trend over the last four years, the industry is likely to see a recovery in 2008. Net income is going to decrease because SG&A expenses will represent a larger proportion of costs in conjuncture with the fact that revenue growth is decreasing.

If you look at the three graphs below, you will find that the most concern about Best Buy in the DuPont analysis is the profit margin ratio. In fact, according to expectations, the spread between both Profit Margins (BBY vs. sub-industry) will reach a peak of 0.86% in 2010. On the Profit Margin graph, this is represented by a positive trend for the industry, while BBY experiences a negative trend over time.



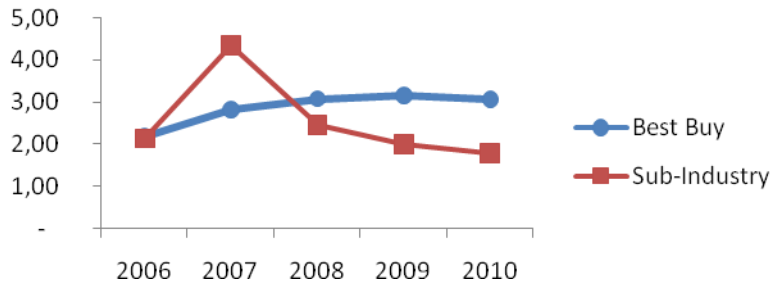
Total Asset Turnover, Best Buy was outperforming its industry, but should underperform by 0.86 points its competitors in 2010, which is not a good news for the company. Revenue growth is expected to decline in future years due to the state of the economy, lengthening the total asset turnover ratio, Best Buy will not be able to turn over their assets as quickly as they had in previous years.

Total Asset Turnover



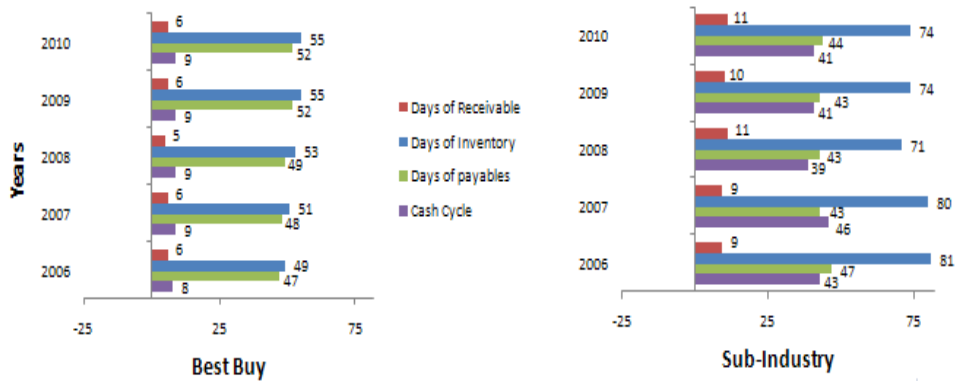
Looking at the graph below, it appears that Best Buy will become more leveraged than the average of its closest competitors in the two coming years, with a spread of 1.27 points in 2010.

Equity Multiplier



If we take a look at the historical and forecasted Cash Conversion Cycle between Best Buy and its competitors, we notice on the barcharts below that BBY has a better management at collecting its receivables (-3 days, in red). Besides, an average negative spread of 21 days of Inventory between BBY and its industry tends to prove that BBY is able to turn its inventory into sales quicker than its competitors. The third component knowed as the number of days payable is in average ten days higher for BBY, which is good because it allows the company to payback its payable later in time. As an overall the CCC for BBY is steady with a difference of -5 days in average, and demonstrates the strenght of BBY at inventory, receivables, and payables management.

Cash Conversion Cycle



2. Risk Analysis

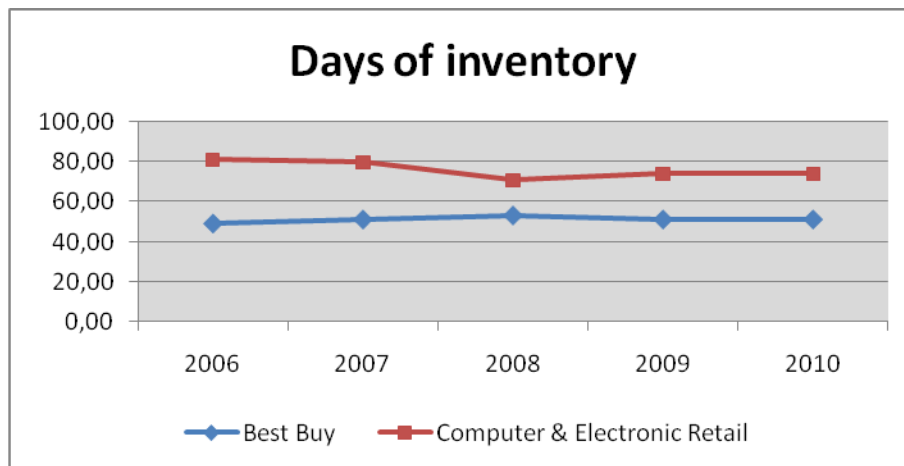
The table below depicts some general features from the balance sheet and the income statement that are important to look at in assessing the risk of the company.

| | 2005 | 2006 | 2007 | 2008 | 2009 Est. | CAGR |
|------------------------|--------|--------|--------|--------|-----------|--------|
| Revenues | 27,433 | 30,848 | 35,934 | 40,023 | 45,015 | 10.41% |
| A/R | 375 | 449 | 548 | 549 | 1,868 | 37.87% |
| Inventories | 2,851 | 3,338 | 4,028 | 4,708 | 4,753 | 10.76% |
| EBITDA | 1,443 | 1,721 | 2,130 | 2,228 | 1,700 | 3.33% |
| Short term Debt | 4,959 | 6,056 | 6,301 | 6,769 | 8,435 | 11.21% |
| Long Term Debt | 886 | 551 | 1,068 | 1,505 | 2,748 | 25.41% |

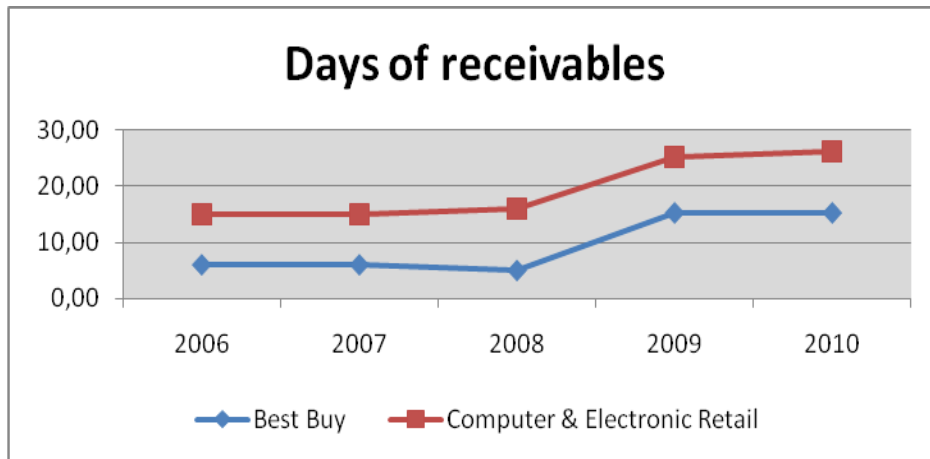
In order for the business to perform well next quarter and avoid any liquidity issues, revenue growth has to be higher than that of receivables and inventories. If a firm is having difficulty collecting money from its customers, its receivables will grow from quarter to quarter and may be higher than the growth in revenues. This would be a bad scenario for the company because it would have to finance these receivables using money from its cash flow, as revenues would not grow at the same rate. This also holds true in regards to inventories, as financing inventory in the future will come from its cash flow; i.e. the cash flow has to be sufficient enough to cover these costs in addition to short term liabilities.

In BBY's case, both account receivable and inventory are growing at a higher rate (37.87% and 10.76% respectively) than the revenue (10.41%). The surge in account receivable from 2008 to 2009 may be explained by the increase in market share after the exit of Circuit City, in conjuncture with increased sales and market share abroad. As mentioned earlier revenues in Canada have been increasing, and it is fair to assume that some of these revenues will be in the form of account receivables placed on Best Buy Rewards Cards. However, this is not entirely good news for the firm. It is uncertain whether management will be able to efficiently handle the increase in accounts receivable at almost triple the rate of that of 2008.

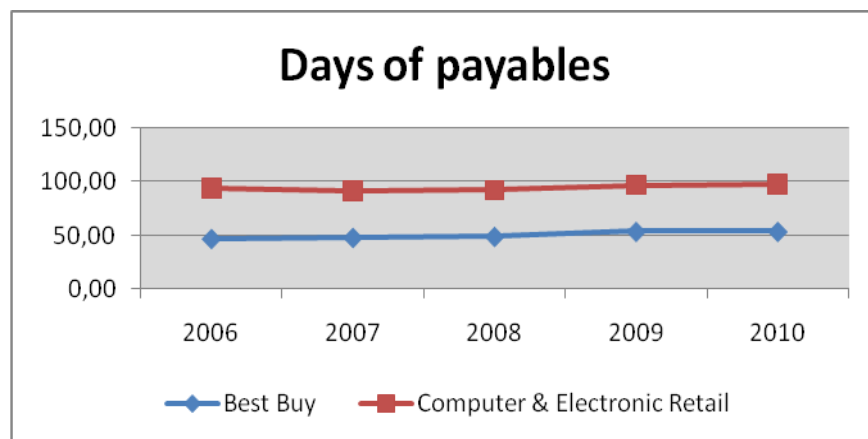
Inventories are increasing at a slightly higher rate than the revenues' growth. The reason why it is increasing is because Best Buy's customer demand for electronic goods is increasing due to the fall of Circuit City. As stated by management in the Q4 conference call, it will take a while for Best buy to adjust their inventory levels to the current demand.



Days of inventory as depicted in the graph above shows that Best Buy is performing better than the industry. In 2006 Best Buy's measure was only 49 days compared to the industry, which had almost double that at 81 days. Best Buy's trend of outperforming the industry is forecasted to continue, however, Best Buy's days in inventory are increasing in 2010 while the rest of the industry has a downward trend.

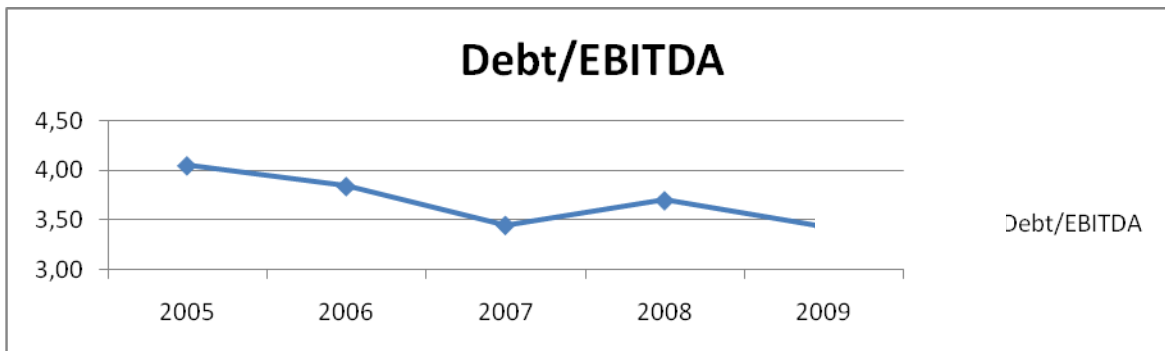


As depicted above Best Buy's days in receivable measures increases dramatically from fiscal year 2008-2009. This jump in the ratio is due to increased consumer demand and spending on credit. This can be attributed to the exit of major competitor Circuit City as well as the increase in foreign market share. However, they are taking a longer time to collect on receivables as well. This could be because of changes in company credit policy. The industry is growing as well. It is possible that in order to spur consumer spending, firms are relaxing credit policies, or it could point to financial difficulties of consumers to pay on time. Best Buy's Days of receivables went from 6 days in 2006, to more than double that at a forecasted 15 days in 2010. In contrast, the industry ratio is rising as well, but at a much slower rate, only a 22% increase in 2010 as compared to fiscal year 2006.



Days of payable decreases for the industry 7% from fiscal year 2006 to 2010. Best Buy's days of payable rises over this time period at an increase in 2010 as compared to 2006 of 12%. Best Buy may be stretching out their payment to suppliers. This increase is expected in fiscal years 2009-2010.

The debt to EBITDA ratio below helps us to determine the number of years the company is going to pay off all its debt it has. The ratio has been decreasing from 2005 to 2008 but increased in 2008. The main reason why is because the company borrowed \$2,500,000,000 in September 2007. The ratio is declining since 2005 because revenues increased almost 15% and EBITDA by almost 16%. The company has been able to generate high revenues' growth as compared to its debt's growth (11%). This is why it will take only 3.43 years currently to pay off its liabilities.



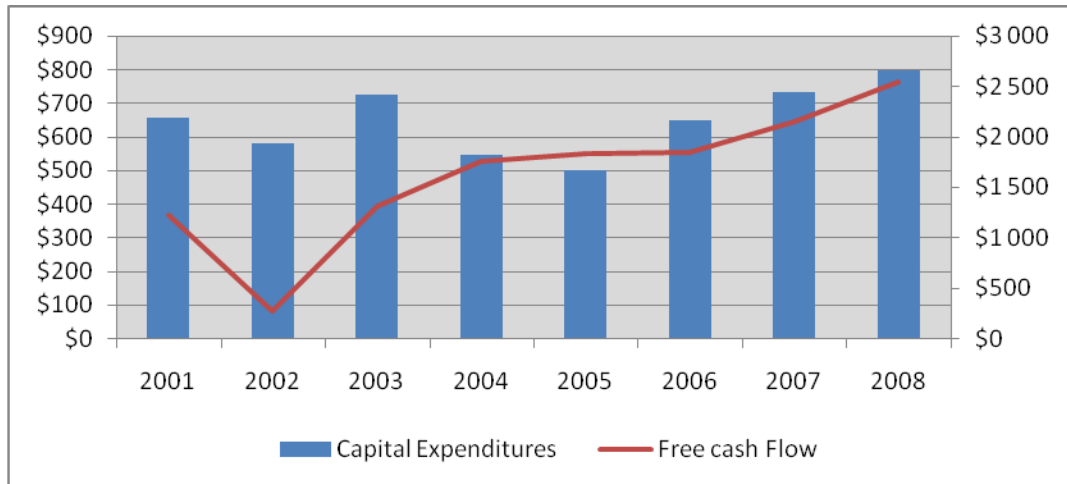
As mentioned, the company has three main debts to pay off but two of them mature in 2009: \$200,000,000 matures in December and \$2,500,000,000 matures in September. Best Buy will have to find the money to fund them using its cash flow. The issue is that the net change in cash has been decreasing from 2007 to 2008 by 49% mainly because it has been issuing stocks last year (\$3,315 Million). The free Cash flow is expected to be \$1 Billion in 2009. Best Buy will have to find the fund missing necessary to fund these debts. This can be harmful for the company as it will have to contract another debt meaning interests to pay.

The return on invested capital (18.68%) is higher than the WACC (11.35%). This shows that the company is more profitable than the industry which has an ROIC of 15.08%. Moreover, the Altman Z-score is 3.40 meaning the company is not expected to bankrupt.

To sum up, Best Buy is doing well in terms of generating enough revenues to cover its receivables as well as inventories and it is able to pay its supplier later allowing the company to get a small cash cycle. It only will take 3.43 years to pay off all its debt as the ratio is going down. It is generating economic value as the ROIC is higher than the WACC by 3% as measured by the EVA spread. However, some debt Best Buy contracted in 2004 and 2007 needs to be paid off this year. Knowing their expected free cash flow, the company will have to find the resource to pay them off, which could be an issue at the end of this year.

3. Cash Flow Analysis

Part of Best Buy's strategy has been to aggressively expand into foreign markets, namely Europe and China. As stated in their Annual Report and fourth quarter conference call, they expect to continue to fund this expansion internally using free cash flow and through reductions in inventory expenses. The graph below depicts how much cash flow the firm has generated per annum as compared to their capital expenditure costs. We can see that they were managing their cash well historically, because their Free Cash Flow has always exceeded their capital expenditures. For example, in 2008 Free Cash Flow was three times as much as their capital expenditures. CFO James Muehlbauer stated, "We are going to make improvements in our working capital, and some of that is going to come from...the utilization of our inventory turns. The combination of the level of expense reductions that we've taken coupled with basically taking our core Capital Expenditures down 50% year over year is going to provide a lot more flexibility from a cash flow standpoint for the year."



The cash flow from operating activities minus their net income is a positive indicator because it shows that the cash generated by the firm is not solely net income. The Cash flow from Operating Activities minus capital expenditures shows that the firm is not spending all of their capital on these expansion projects, and still has enough cash to add value to the firm in other ways. Cash Flow from Operating activities minus Operating Cash Flow shows that it is really cash on hand and not funds tied up in accounts such as accrued accounts receivable. Free Cash Flow measures how much cash the firm has available, and this amount has been increasing year after year, proving that the company has managed its funds well.

| Cash Flow Analysis | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| CFFO-Net Income | \$ 630 | \$ 997 | \$ 600 | \$ 385 | \$ 618 |
| CFFO- CAPEX | \$ 1,880 | \$ 2,483 | \$ 2,388 | \$ 2,495 | \$ 2,822 |
| CFFO-OCF | \$ 68 | \$ 592 | \$ 168 | \$ (65) | \$ 99 |
| Free Cash Flow: | \$ 1,763 | \$ 1,836 | \$ 1,850 | \$ 2,162 | \$ 2,551 |

4. Valuation

Best Buy has a market cap of \$15.73 billion when the median industry market cap is only \$2.4 billion. The company could be considered the leader of the industry if not for Wal-Mart which is 10 times larger than Best Buy. According to the company analysis, Best Buy seems to be a promising company but the figures below may show us another point of view as compared to the industry.

| | Current | Next quarter Estimate | Next year Estimate |
|---------------------|----------------|------------------------------|---------------------------|
| Firm EPS | \$2.94 | \$1.40 | \$2.46 |
| Firm PE | 11.31 | | 13.51 |
| Firm CFPS | \$4.68 | NA | \$4.28 |
| Firm PCF | 7.15 | | 7.82 |
| Firm SPS | \$105.72 | \$109.12 | \$115.78 |
| Firm PS | 0.31 | | 0.29 |
| Firm BS | \$0.06 | NA | NA |
| Firm PB | 0.32 | | NA |
| Firm DY | 1.59% | 1.62% | 1.65% |
| Industry EPS | \$1.62 | \$1.53 | \$2.17 |

| | | | |
|---------------------------|---------|---------|---------|
| Industry PE | 16.57 | | 12.4 |
| Industry CFPS | \$1.56 | \$1.08 | \$4.51 |
| Industry PCF | 17.23 | | 5.95 |
| Industry SPS | \$32.09 | \$38.25 | \$44.56 |
| Industry PS | 0.84 | | 0.6 |
| Industry BS | \$0.22 | \$0.16 | NA |
| Industry PB | 0.84 | | NA |
| Industry DY | NA | 0.61% | 2.05% |
| Industry LT Growth | 13.77% | NA | 16.73% |

The company's current price to earnings ratio, price to cash flow and the price to book are lower than the industry median, but the next year pro forma are less pleasant. The company will return 16% less, negatively impacting the P/E ratio. Best Buy's P/E ratio will increase by 2.20 points, while the industry will decrease by 4.17 points. Although the company is overvalued compared to its peers, it will have a higher required rate of return because of its higher P/E ratio. The P/CF upward trend also confirms our previous analysis on the P/E ratio. The industry will be more successful in reducing its operating expenses generating higher cash flows than Best Buy. This could also be attributed to Best Buy's expansion plans. Their strategic initiative to expand into foreign market may reduce their cash flow as they fund this growth. The company stated in their 2008 Annual Report that they will not finance any expansion plans through debt, they feel that their investments cash and cash equivalents will suffice for the next fiscal year.

The sale per share ratio shows us that BBY is able to have more sales than its peers. BBY Sales per share is \$115.78 when the industry median is only \$44.56. However, the industry SPS ratio will grow by 39% while Best Buy's grows by only 10%. This can be explained by the fact that their competitors are actively working to steal Best Buy customers. Another characteristic of an undervalued stock is the dividend yield. Best Buy use to have a higher dividend yield. But in the future the company is going to decrease its dividend yield. The company plans to expand into unfamiliar markets such as China and Europe. The company may have to reduce its payout ratio to finance its expansion plan.

5. SWOT Analysis

Strengths

Best Buy recently announced strong earnings for Q4. They have increased their net revenue by 10% as compared to Q4 2008. Best Buy has amplified their domestic market share by 1.2%, most likely because of their major competitor Circuit City filing Bankruptcy. Best Buy has built 213 stores within the last year and plans on building 65 more in 2010. They have also launched successful in-house initiatives which have enhanced their brand name brand name, such as Geek Squad and the Apple store within 357 of their US stores. The firm has been proactive in withstanding a tough macroeconomic environment. Best Buy has cut the amount of inventory held at their stores along with cutting SGA expenses. They are still growing in time of recession, by building more stores in Europe and China. Best Buy remains a dominant player in the electronics industry despite major changes within the sector over the course of the year.

Weaknesses

Best Buy is a firm that sells products which can be considered luxury goods. Because of the decrease in consumer sentiment along with macroeconomic patterns, they can rarely forecast short term sales. Consumer electronics firms remain sensitive to changes in housing markets and interest rates. Customer loyalty is uncommon within this industry; price is the main determinant of where the consumers will spend, which can be detrimental with competitors such as Wal-Mart.

Opportunities

Best Buy has found expansion opportunities in Europe and China. Next year they plan on building 20 new stores overseas. They plan to open 5 to 8 new stores in China this year alone in 2009. The firm has also made it apparent that they would like integrate newer business models and concepts within their stores. This would include the introduction of more Best Buy Mobile Kiosks, which have been proven successful in New York and North Carolina stores. They also continue to acquire more technological businesses as they have year over year since 2001 which boost their product diversity in their stores. An example of this would include Pacific Sales, which specialize in kitchen products and home theater systems.

Threats

Best Buy must constantly be stocking their shelves with the latest technological advances. The firm must also be sensitive to changing pricing strategies from competitors because of weak consumer loyalty within the industry. Best Buy must keep a watchful eye on online retailers and warehouse discounters that aim to steal customers from them. Emerging market share from Wal-Mart because of the fall of Circuit City must also be assessed and combated with a competitive strategy.

6. Target Prices

| Target Prices | |
|------------------------------|----------|
| Reuters | \$39.90 |
| Bloomberg | \$40.22 |
| Yahoo | \$40.26 |
| Thomson One | \$41.00 |
| Siena Target Firm price | \$ 39.97 |
| 68 percentile Target Price | \$ 37.88 |
| 95 percentile Target Price | \$ 35.78 |
| 99 percentile Target Price | \$ 33.68 |
| Target Firm Price Volatility | 2.1 |
| Target Firm Return | 22.05% |
| Siena Industry Target Price | \$ 20.31 |

We are issuing a BUY for Best Buy. We are basing our decision on many fundamental indicators. Best Buy has very high potential for growth. As the corporation begins to increase the amount of international stores in Europe and China, and acquire more technological businesses which increase product diversity. They are slowly yet steadily increasing their domestic market share and while enhancing their brand name worldwide.

Despite the fact that the company has had high operating expenses and has debt on their balance sheet, they are beginning to make a strong effort in lowering their capital expenditure and reducing their debt. Best Buy has seen a 12.4% sales growth over the past 5 years. They are also holding strong during this tough macroeconomic environment by holding fewer inventories in the stores and pricing their products competitively. With the recent fall of Circuit City, Best Buy is better positioned to gain market share domestically. Our Siena target price is \$39.97 which is much higher than the current stock price.

APPENDIX

Siena Stock line Best Buy Company Incorporated

| Company Name | BEST BUY | Ticker | BBY |
|------------------------------------|------------------------------|---|----------------------------------|
| Current Price | \$33.20 | Target Price | \$39.97 |
| Recommendation | HOLD | Date | 3/26/2009 |
| 1. Market Data | | | |
| Market Cap | \$13,353,760,000 | 1 Yr Price App. | -25.35% |
| Price to book | .00 | Country (s) | USA, Canada, China |
| Beta | \$2.93 | Industry | Computer&electronic retail |
| Dividend yield | 1.43 | Median Industry Price | \$15.33 |
| Shares O/S | 1.73% | Industry Beta | 1.35 |
| Current price | 413,430,000 | Country Risk Premium | 9.06% |
| 52 week range | \$33.20 | Risk Free Rate | 2.63% |
| | \$31.61 | | |
| Major Holdings | | Sales/purchase of stocks by insiders | |
| | % of shares outstanding | Name and Title | Action |
| Holder | | | |
| Schulze (Richard M) | 16.49% | Noble John (Officer) | 2/20/09 Sell 15,750 shares |
| Capital World investors | 9.82% | Noble John (Officer) | 2/20/09 Conversion 15,750 shares |
| Capital Research Global Investors | 5.38% | Kaplan Elliot (Officer and Director) | 12/30/08 Gift 3,900 shares |
| State Street Global advisors | 3.32% | Grafton Susan (Officer) | 12/26/08 Conversion 800 shares |
| Breakdown | 3.01 | Anderson Bradbury (CEO) | 12/23/08 Sell 40,189 shares |
| Investment Manager Holders | 56.0% | Anderson Bradbury (CEO) | 12/23/08 Buy 40,189 shares |
| Mutual Fund holders | 29.4% | Berg David (Officer) | 12/22/08 Sell 5,562 shares |
| Strategic Holders | 17.81% | | |
| 2. Country Macro Analysis | | | |
| | 5 years historical (average) | Current | 1-year Estimate |
| Country 1- Europe | | | |
| Real GDP Growth | 1.15% | -2.01% | 0.56% |
| Inflation | 2.00% | 0.20% | 0.85% |
| Foreign Debt as % GDP | N/A | N/A | N/A |
| Unemployment Rate | 7.84% | 8.39% | 9.50% |
| Currency Exchange Rate (EUR/USD) | \$1.34 | \$1.44 | \$1.30 |
| Political Risk Rating (out of 100) | 82.77 | 81.13 | 80.7 |
| Financial Risk Rating (out of 100) | 78.25 | 70 | 69.4 |
| Economic Risk Rating (out of 100) | 81.86 | 76 | 74.4 |
| | 5 years historical (average) | Current | 1-year Estimate |
| Country 2-USA | | | |
| Real GDP Growth | 2.48% | 1.10% | -2.50% |
| Inflation | 3.20% | 3.85% | -0.70% |
| Foreign Debt as % GDP | 41.33% | 21.10% | 25.00% |
| Unemployment Rate | 5.12% | 5.80% | 8.70% |
| Currency Exchange Rate (EUR/USD) | \$1.34 | \$1.44 | \$1.30 |
| Political Risk Rating (out of 100) | 80.51 | 83.5 | 83.0 |
| Financial Risk Rating (out of 100) | 64.08 | 66 | 67.3 |

| | | | |
|---|------------------------------|-----------------------------|-----------------------|
| 100) | | | |
| Economic Risk Rating (out of 100) | 77.08 | 62 | 61.0 |
| | 5 years historical (average) | Current | 1-year Estimate |
| Country 3- Canada | | | |
| Real GDP Growth | 2.46% | 66.00% | -1.60% |
| Inflation | 2.11% | 2.38% | 0.10% |
| Foreign Debt as % GDP | 24.72% | 15.00% | 24.93% |
| Unemployment Rate | 6.48% | 6.16% | 8.20% |
| Currency Exchange Rate (USD/CAN) | \$1.15 | \$1.22 | \$1.24 |
| Political Risk Rating (out of 100) | 86.22 | 85 | 85.0 |
| Financial Risk Rating (out of 100) | 82.02 | 74 | 74.0 |
| Economic Risk Rating (out of 100) | 86.01 | 75 | 75.0 |
| | 5-years historical (average) | 1-year historical (average) | 1-year forecast |
| Return | | | |
| BBY | 2.06% | -31.81% | 22.05% |
| Computer & Electronic Retail USA | -6.38% | -57.20% | 34.50% |
| CANADA | -9.97% | -53.71% | -45.52% |
| EUROPE | 0.94% | -56.49% | -49.36% |
| World | -8.59% | -65.85% | -51.98% |
| | | | |
| | | | |
| Volatility | 5 years historical (average) | 1-year historical (average) | 1-year GARCH Estimate |
| BBY | 38.86% | 58.45% | 60.21% |
| Computer & Electronic Retail USA | 24.28% | 35.82% | 27.27% |
| EUROPE | 16.64% | 23.58% | 19.98% |
| Canada | 19.66% | 27.01% | 27.43% |
| World | 23.77% | 32.08% | 27.42% |
| | 15.19% | 21.76% | 20.79% |
| 3. Company Ratios (Cross-sections and time series) | | | |
| <i>Dupont Analysis</i> | | | |
| Best Buy | Profit Margin | Total Asset Turnover | Equity Multiplier |
| 2006 | 3.83% | 2.83 | 2.18 |
| 2007 | 3.52% | 3.04 | 2.82 |
| 2008 | 2.23% | 3.15 | 3.07 |
| 2009 | 2.21% | 2.66 | 3.15 |
| 2010 | 2.19% | 2.39 | 3.06 |
| Conns Inc. | Profit Margin | Total Asset Turnover | Equity Multiplier |
| 2006 | 5.30% | 2.04 | 1.33 |
| 2007 | 4.82% | 2.13 | 1.26 |
| 2008 | 2.88% | 1.98 | 1.55 |
| 2009 | 3.95% | 1.28 | 1.53 |
| 2010 | 4.13% | 1.03 | 1.56 |
| Gamestop | Profit Margin | Total Asset Turnover | Equity Multiplier |
| 2006 | 2.98% | 1.67 | 2.43 |
| 2007 | 4.06% | 1.99 | 2.03 |
| 2008 | 4.52% | 2.12 | 1.96 |
| 2009 | 4.99% | 6.76 | 0.58 |

| | | | | |
|---|-------------|-------------------|----------------------|-------------------|
| | 2010 | 5.24% | 8.89 | 0.40 |
| Hhgregg | | Profit Margin | Total Asset Turnover | Equity Multiplier |
| | 2006 | 2.47% | 3.64 | NA |
| | 2007 | 2.02% | 3.69 | 17.83 |
| | 2008 | 1.70% | 4.05 | 4.04 |
| | 2009 | 2.18% | 4.54 | 2.83 |
| | 2010 | 2.01% | 5.06 | 1.59 |
| Radio Shack | | Profit Margin | Total Asset Turnover | Equity Multiplier |
| | 2006 | 1.54% | 2.23 | 3.17 |
| | 2007 | 5.57% | 2.09 | 2.58 |
| | 2008 | 4.55% | 1.98 | 2.79 |
| | 2009 | 3.75% | 2.51 | 2.15 |
| | 2010 | 3.69% | 2.36 | 2.33 |
| Rex Stores | | Profit Margin | Total Asset Turnover | Equity Multiplier |
| | 2006 | 7.14% | 1.31 | 1.37 |
| | 2007 | 4.82% | 0.74 | 1.43 |
| | 2008 | 15.12% | 0.59 | 1.44 |
| | 2009 | 18.50% | 0.50 | 1.47 |
| | 2010 | 22.62% | 0.42 | 1.41 |
| Wal-Mart | | Profit Margin | Total Asset Turnover | Equity Multiplier |
| | 2006 | 3.24% | 2.41 | 2.38 |
| | 2007 | 3.36% | 2.40 | 2.46 |
| | 2008 | 3.30% | 2.48 | 2.42 |
| | 2009 | 3.30% | 2.54 | 2.32 |
| | 2010 | 3.35% | 2.62 | 2.18 |
| Computer & electronic retail | | Profit Margin | Total Asset Turnover | Equity Multiplier |
| | 2006 | 3.78% | 2.08 | 2.14 |
| | 2007 | 4.02% | 2.30 | 4.34 |
| | 2008 | 4.90% | 2.34 | 2.47 |
| | 2009 | 5.55% | 2.97 | 2.00 |
| | 2010 | 6.17% | 3.25 | 1.79 |
| Other Ratios | | | | |
| Best Buy | | Days of Inventory | Days of Receivable | Cash Cycle |
| | 2006 | 49.00 | 6.00 | 8.00 |
| | 2007 | 51.00 | 6.00 | 9.00 |
| | 2008 | 53.00 | 5.00 | 9.00 |
| | 2009 | 55.00 | 6.00 | 9.00 |
| | 2010 | 55.00 | 6.00 | 9.00 |
| Conn's Inc. | | Days of Inventory | Days of Receivable | Cash Cycle |
| | 2006 | 55.00 | 14.00 | 41.00 |
| | 2007 | 63.00 | 15.00 | 41.00 |
| | 2008 | 60.00 | 15.00 | 45.00 |
| | 2009 | 62.00 | 16.00 | 45.00 |
| | 2010 | 63.00 | 16.00 | 47.00 |
| Game Stop | | Days of Inventory | Days of Receivable | Cash Cycle |
| | 2006 | 68.00 | 3.00 | 18.00 |
| | 2007 | 62.00 | 3.00 | 5.00 |
| | 2008 | 51.00 | 3.00 | 1.00 |
| | 2009 | 73.00 | 4.00 | 5.00 |
| | 2010 | 64.00 | 3.00 | 1.00 |
| Hhgregg | | Days of Inventory | Days of Receivable | Cash Cycle |

| | Inventory | | |
|------------------------------|--------------------|-----------------------|--|
| 2006 | 59.00 | 7.00 | 35.00 |
| 2007 | 54.00 | 7.00 | 30.00 |
| 2008 | 53.00 | 7.00 | 28.00 |
| 2009 | 58.00 | 7.00 | 31.00 |
| 2010 | 57.00 | 7.00 | 29.00 |
| Rex Stores | Days of Inventory | Days of Receivable | Cash Cycle |
| 2006 | 142.00 | 5.00 | 110.00 |
| 2007 | 180.00 | 5.00 | 130.00 |
| 2008 | 139.00 | 4.00 | 76.00 |
| 2009 | 139.00 | 3.10 | 72.00 |
| 2010 | 139.00 | 3.07 | 72.00 |
| Radio Shack | Days of Inventory | Days of Receivable | Cash Cycle |
| 2006 | 124.00 | 22.00 | 87.00 |
| 2007 | 120.00 | 22.00 | 99.00 |
| 2008 | 107.00 | 22.00 | 90.00 |
| 2009 | 109.00 | 21.00 | 92.00 |
| 2010 | 109.00 | 22.00 | 93.00 |
| Wal-Mart | Days of Inventory | Days of Receivable | Cash Cycle |
| 2006 | 46.00 | 3.00 | 12.00 |
| 2007 | 44.00 | 4.00 | 10.00 |
| 2008 | 42.00 | 4.00 | 10.00 |
| 2009 | 45.00 | 4.00 | 11.00 |
| 2010 | 44.00 | 4.00 | 11.00 |
| Computer & Electronic Retail | Days of Inventory | Days of Receivable | Cash Cycle |
| 2006 | 81.00 | 9.00 | 43.00 |
| 2007 | 80.00 | 9.00 | 46.00 |
| 2008 | 71.00 | 11.00 | 39.00 |
| 2009 | 74.00 | 10.00 | 41.00 |
| 2010 | 74.00 | 11.00 | 41.00 |
| 4. Company Risk | | | |
| Capital Structure Industry | | | Relative Dispersion (industry)(5 trailing yrs) |
| WACC Structure | Debt (After taxes) | Equity | EBITDA C.V. |
| Weight | 19.09% | 80.91% | 0.32 |
| Cost (after tax for debt) | 3.85% | 14.35% | Free Cash Flow C.V. |
| WACC | 12.35% | | 0.44 |
| Capital Structure Firm | | | Relative Dispersion (firm) (5 trailing yrs) |
| WACC Structure | Debt (After taxes) | Equity | EBITDA C.V. |
| Weight | 24.08% | 75.92% | 0.18 |
| Cost (after tax for debt) | 5.14% | 13.32% | Free Cash Flow C.V. |
| WACC | 11.35% | | 0.20 |
| Debt Rating Industry (mode) | | Other Risk (Industry) | |
| Moodys | Ba | Altman Z | 3.85 |
| S&P | BBB | DOL | 6.49 |
| Fitch | BB | DFL | 1.09 |

| Debt Rating Firm (mode) | | Other Risk (Firm) | |
|---|-----------------|--------------------------|--------------------|
| Moodys | Baa2 | Altman Z | 3.41 |
| S&P | BBB- | DOL | 4.42 |
| Fitch | BBB+ | DFL | 1.03 |
| Revenues and Costs Structure and Estimates | | | |
| 1-year Estimates | Sales per share | Earnings per share | Profit Margin |
| Industry Mean | \$44.56 | \$2.17 | 4.87% |
| Firm Mean | \$109.12 | \$2.46 | 2.25% |
| Firm Median | \$108.87 | \$2.64 | 2.42% |
| Fim High | \$111.41 | \$2.82 | 2.53% |
| Firm Low | \$107.97 | \$2.49 | 2.31% |
| Firm Standard Deviation | \$0.84 | \$0.09 | 0.07% |
| 1-quarter Estimates | Sales per share | Earnings per share | Profit Margin |
| Industry Mean | \$38.25 | \$1.53 | 4.00% |
| Firm Mean | \$35.85 | \$1.40 | 3.91% |
| Firm Median | \$35.58 | \$1.39 | 3.91% |
| Fim High | \$38.15 | \$1.56 | 4.09% |
| Firm Low | \$34.81 | \$1.24 | 3.56% |
| Firm Standard Deviation | \$0.88 | \$0.09 | 0.07% |
| 5. Valuation | | | |
| | Current | Next quarter Estimate | Next year Estimate |
| Firm EPS | \$2.94 | \$1.40 | \$2.46 |
| Firm PE | 11.31 | | 13.51 |
| Firm CFPS | \$4.68 | NA | \$4.28 |
| Firm PCF | 7.15 | | 7.82 |
| Firm SPS | \$105.72 | \$109.12 | \$115.78 |
| Firm PS | 0.31 | | 0.29 |
| Firm BS | \$0.06 | NA | NA |
| Firm PB | 0.32 | | NA |
| Firm DY | 1.59% | 1.62% | 1.65% |
| Industry EPS | \$1.62 | \$1.53 | \$2.17 |
| Industry PE | 16.57 | | 12.4 |
| Industry CFPS | \$1.56 | \$1.08 | \$4.51 |
| Industry PCF | 17.23 | | 5.95 |
| Industry SPS | \$32.09 | \$38.25 | \$44.56 |
| Industry PS | 0.84 | | 0.6 |
| Industry BS | \$0.22 | \$0.16 | NA |
| Industry PB | 0.84 | | NA |
| Industry DY | NA | 0.61% | 2.05% |
| Industry LT Growth | 13.77% | NA | 16.73% |
| Sector PE | 26.6 | NA | 12.2 |
| Sector PCF | 7.70 | NA | 5.70 |
| Sector PS | 0.50 | NA | 0.50 |
| Sector PB | 1.80 | NA | 1.60 |
| Sector DY | 2.60 | NA | 2.80 |
| Sector LT Growth | 11.80% | NA | NA |
| Market PE | 10.74 | NA | 11.79 |
| Market PCF | 8.7 | NA | 6.50 |
| Market PS | 1.87 | NA | 0.80 |
| Market PB | 3 | NA | 1.40 |
| Market DY | 3.86 | NA | 3.40 |
| Market LT Growth | 11% | NA | NA |
| 6. Target Price and Return Estimates | | | |

| | |
|--|---------------------------------------|
| Target Industry Price | \$20.31 |
| Target Industry Return | 34.50% |
| Target Industry Return Volatility | 60.21% |
| Target Firm price | 39.97 |
| 68 percentile Target Price | \$37.88 |
| 95 percentile Target Price | \$35.78 |
| 99 percentile Target Price | \$33.68 |
| Target Firm Price Volatility | 2.10 |
| Target Firm Return | 22.05% |
| Target Firm Volatility of Return | 60.21% |
| Analyst: | Rachel Raimo Delali Fiadjoe |