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## Best Buy F1Q10 (Qtr End 5/30/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Our first question comes from Gary Balter from Credit Suisse.

#### Gary Balter - Credit Suisse

Thank you. First of all, Brad, congratulations on retiring and Brian, congratulations on taking over in three days. The question -- I was going to ask a longer term kind of where the Geek Squad fits in but I think more the focus on people is on the short term, so I am going to stick to the short-term -- you know, do you talk -- and this is more for Jim -- you talked about 70 basis point improvement in domestic margins first quarter but you also said you expect it to be flat for the year, even though you laid out 40 to 50 basis points of sustainable gross margin.

Did you kind of reconcile that? And with that, you made some comments that you are watching consumer credits, you're watching vendors, you're watching changes in consumer spending behavior. I would love your thoughts and the company's thoughts about what you think of the new credit bill and the impact that could have? And also, what have you seen in your trends -- you mentioned May was weaker because of stimulus but were there other things that may have bothered you? Thank you.

#### James L. Muehlbauer

Thanks, Gary. So on the gross profit rate, as we look forward to the balance of the year, one of the things that has been in our model for certainly the past four or five quarters is the growth in our computing business has been certainly putting a drag on our gross margin rate. As we mentioned up-front, we are very happy with the sales in that space in that consumers are choosing the options that Best Buy have and we are happy to sell those products to consumers to connect them to the digital world. It does put pressure on the gross profit rate so that's been a drag that we welcome. We expect that that is going to continue for this year.

The two new elements that we will also see this year on the mix side of the business is as we lap and anniversary our Best Buy mobile launch. Some of the benefit we've been seeing in the mix this year will start to mitigate as we lap that launch, which principally starts in Q2 and Q3 of next year.

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