BEST BUY CO INC
Form 10-Q
June 09, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 3, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-9595

BEST BUY CO., INC.
(Exact name of registrant as specified in its charter)

Minnesota	41-0907483
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7601 Penn Avenue South	
Richfield, Minnesota	55423
(Address of principal executive offices)	(Zip Code)

(612) 291-1000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ¨ No ¨

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, $.10 Par Value — 348,803,518 shares outstanding as of May 30, 2014.

Table of Contents

BEST BUY CO., INC.
FORM 10-Q FOR THE QUARTER ENDED MAY 3, 2014
TABLE OF CONTENTS

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	May 3, 2014	February 1, 2014	May 4, 2013
Assets			
Current assets			
Cash and cash equivalents	$2,569	$2,678	$908
Short-term investments	497	223	—
Receivables, net	871	1,308	937
Merchandise inventories	5,255	5,376	5,461
Other current assets	926	900	821
Current assets held for sale	—	—	1,879
Total current assets	10,118	10,485	10,006
Property and equipment, net	2,525	2,598	2,830
Goodwill	425	425	528
Intangibles, net	100	101	180
Other assets	743	404	316
Long-term assets held for sale	—	—	471
Total assets	$13,911	$14,013	$14,331
Liabilities and equity			
Current liabilities			
Accounts payable	$4,952	$5,122	$4,776
Unredeemed gift card liabilities	362	406	373
Deferred revenue	394	399	395
Accrued compensation and related expenses	350	444	333
Accrued liabilities	731	873	747
Accrued income taxes	47	147	8
Current portion of long-term debt	44	45	544
Current liabilities held for sale	—	—	1,385
Total current liabilities	6,880	7,436	8,561
Long-term liabilities	1,003	976	1,001
Long-term debt	1,604	1,612	1,142
Long-term liabilities held for sale	—	—	79
Equity			
Best Buy Co., Inc. shareholders' equity			
Preferred stock, $1.00 par value: Authorized — 400,000 shares; Issued and outstanding — none	—	—	—
Common stock, $0.10 par value: Authorized — 1.0 billion shares; Issued and outstanding — 348,750,000, 346,751,000 and 339,737,000 shares, respectively	35	35	34
Additional paid-in capital	330	300	77
Retained earnings	3,562	3,159	2,723
Accumulated other comprehensive income	494	492	82
Total Best Buy Co., Inc. shareholders' equity	4,421	3,986	2,916

Noncontrolling interests	3	3	632
Total equity	4,424	3,989	3,548
Total liabilities and equity	$13,911	$14,013	$14,331

NOTE: The Consolidated Balance Sheet as of February 1, 2014, has been condensed from the audited consolidated financial statements.

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Revenue	$9,035	$9,347
Cost of goods sold	7,015	7,189
Gross profit	2,020	2,158
Selling, general and administrative expenses	1,820	1,984
Restructuring charges	3	6
Operating income	197	168
Other income (expense)		
Investment income and other	6	5
Interest expense	(23)	(27)
Earnings from continuing operations before income tax (benefit) expense	180	146
Income tax (benefit) expense	(281)	49
Net earnings from continuing operations	461	97
Loss from discontinued operations (Note 2), net of tax benefit (expense) of $0 and ($13)	—	(170)
Net earnings (loss) including noncontrolling interests	461	(73)
Net earnings from discontinued operations attributable to noncontrolling interests	—	(8)
Net earnings (loss) attributable to Best Buy Co., Inc. shareholders	$461	$(81)
Basic earnings (loss) per share attributable to Best Buy Co., Inc. shareholders		
Continuing operations	$1.33	$0.29
Discontinued operations	—	(0.53)
Basic earnings (loss) per share	$1.33	$(0.24)
Diluted earnings (loss) per share attributable to Best Buy Co., Inc. shareholders		
Continuing operations	$1.31	$0.29
Discontinued operations	—	(0.53)
Diluted earnings (loss) per share	$1.31	$(0.24)
Dividends declared per common share	$0.17	$0.17
Weighted-average common shares outstanding (in millions)		
Basic	347.4	339.0
Diluted	350.4	341.0

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Net earnings (loss) including noncontrolling interests	$461	$(73)
Foreign currency translation adjustments	3	(63)
Unrealized gain (loss) on available-for-sale investments	(1)	3
Comprehensive income (loss) including noncontrolling interests	463	(133)
Comprehensive loss attributable to noncontrolling interests	—	22
Comprehensive income (loss) attributable to Best Buy Co., Inc. shareholders	$463	$(111)

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Best Buy Co., Inc.							
	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Best Buy Co., Inc.	Non-controlling Interests	Total
Balances at February 1, 2014	347	$ 35	$ 300	$ 3,159	$ 492	$ 3,986	$ 3	$ 3,989
Net earnings, three months ended May 3, 2014	—	—	—	461	—	461	—	461
Foreign currency translation adjustments	—	—	—	—	3	3	—	3
Unrealized losses on available-for-sale investments	—	—	—	—	(1)	(1)	—	(1)
Tax deficit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	(2)	—	—	(2)	—	(2)
Issuance of common stock under employee stock purchase plan	—	—	4	—	—	4	—	4
Stock-based compensation	—	—	23	—	—	23	—	23
Restricted stock vested and stock options exercised	2	—	5	—	—	5	—	5
Common stock dividends, $0.17 per share	—	—	—	(58)	—	(58)	—	(58)
Balances at May 3, 2014	349	$ 35	$ 330	$ 3,562	$ 494	$ 4,421	$ 3	$ 4,424
Balances at February 2, 2013	338	$ 34	$ 54	$ 2,861	$ 112	$ 3,061	$ 654	$ 3,715
Net earnings (loss), three months ended May 4, 2013	—	—	—	(81)	—	(81)	8	(73)
Foreign currency translation adjustments	—	—	—	—	(33)	(33)	(30)	(63)
Unrealized gains on available-for-sale investments	—	—	—	—	3	3	—	3
Tax deficit from stock options exercised, restricted stock vesting and employee stock purchase plan	—	—	(9)	—	—	(9)		(9)
Issuance of common stock under employee stock purchase plan	1	—	7	—	—	7	—	7
Stock-based compensation	—	—	23	—	—	23	—	23
Restricted stock vested and stock options exercised	1	—	2	—	—	2	—	2
Common stock dividends, $0.17 per share	—	—	—	(57)	—	(57)	—	(57)
Balances at May 4, 2013	340	$ 34	$ 77	$ 2,723	$ 82	$ 2,916	$ 632	$ 3,548

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	Three Months Ended	
	May 3, 2014	May 4, 2013
Operating activities		
Net earnings (loss) including noncontrolling interests	$461	$(73)
Adjustments to reconcile net earnings (loss) including noncontrolling interests to total cash provided by (used in) operating activities:		
Depreciation	161	200
Amortization of definite-lived intangible assets	—	10
Restructuring charges	3	59
Impairment of assets held for sale	—	175
Stock-based compensation	23	22
Realized gain on sale of subsidiary	—	(28)
Deferred income taxes	(401)	(16)
Other, net	3	13
Changes in operating assets and liabilities		
Receivables	436	473
Merchandise inventories	121	702
Other assets	7	26
Accounts payable	(144)	(1,118)
Other liabilities	(312)	(362)
Income taxes	(50)	(88)
Total cash provided by (used in) operating activities	308	(5)
Investing activities		
Additions to property and equipment	(111)	(174)
Purchases of investments	(496)	(1)
Sales of investments	224	12
Proceeds from sale of business, net of cash transferred upon sale	—	26
Change in restricted assets	21	22
Other, net	—	(1)
Total cash used in investing activities	(362)	(116)
Financing activities		
Borrowings of debt	—	293
Repayments of debt	(6)	(885)
Dividends paid	(59)	(58)
Issuance of common stock under employee stock purchase plan and for the exercise of stock options	9	9
Other, net	3	—
Total cash used in financing activities	(53)	(641)
Effect of exchange rate changes on cash	(2)	7
Decrease in cash and cash equivalents	(109)	(755)
Cash and cash equivalents at beginning of period	2,678	1,826
Cash and cash equivalents at end of period	2,569	1,071
Less cash and cash equivalents held for sale	—	163
Cash and cash equivalents at end of period, excluding held for sale	$2,569	$908

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms “Best Buy,” “we,” “us,” and “our” in these Notes to Condensed Consolidated Financial Statements refers to Best Buy Co., Inc. and its consolidated subsidiaries.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States (“GAAP”). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

Description of Business

Historically, we have generated a higher proportion of our revenue and earnings in the fiscal fourth quarter, which includes the majority of the holiday shopping season in the U.S., Canada and Mexico. Due to the seasonal nature of our business, interim results are not necessarily indicative of results for the entire fiscal year. The interim financial statements and the related notes in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended February 1, 2014. The first three months of fiscal 2015 and fiscal 2014 included 13 weeks.

In order to align our fiscal reporting periods and comply with statutory filing requirements in certain foreign jurisdictions, we consolidate the financial results of our China and Mexico operations on a one-month lag. Our policy is to accelerate recording the effect of events occurring in the lag period that significantly affect our consolidated financial statements. No such events were identified for this period.

In preparing the accompanying condensed consolidated financial statements, we evaluated the period from May 4, 2014, through the date the financial statements were issued, for material subsequent events requiring recognition or disclosure. No such events were identified for this period.

2. Assets and Liabilities Held for Sale and Discontinued Operations

Assets and Liabilities Held for Sale

On April 29, 2013, we entered into a definitive agreement with Carphone Warehouse Group plc ("CPW") to sell our 50% ownership interest in Best Buy Europe to CPW. As a result of our commitment to sell Best Buy Europe, we recognized a $175 million impairment (which is not tax deductible) in the first quarter of fiscal 2014 to write down the book value of our investment in Best Buy Europe to fair value based on expected net proceeds. The impairment reflected the impact of accumulated foreign currency losses due to the devaluation of the British pound sterling against the U.S. dollar since the time of our original acquisition of Best Buy Europe, which were expected to be recognized upon disposal.

On June 26, 2013, we completed the sale of Best Buy Europe in return for the following consideration upon closing: net cash of £341 million ($526 million); £80 million ($123 million) of ordinary shares of CPW; £25 million ($39 million), plus 2.5% interest, to be paid by CPW on June 26, 2014; and £25 million ($39 million), plus 2.5% interest, to be paid by CPW on June 26, 2015. We subsequently sold the ordinary shares of CPW for $123 million on July 3, 2013.

The assets and liabilities of Best Buy Europe as of May 4, 2013, are classified as held for sale in the Condensed Consolidated Balance Sheets and the results of Best Buy Europe are presented as discontinued operations in the Consolidated Statements of Earnings. The composition of assets and liabilities held for sale as of May 4, 2013, was as follows ($ in millions):

Table of Contents

	May 4, 2013
Cash and cash equivalents	$163
Receivables	1,211
Merchandise inventories	385
Other current assets	120
Current assets held for sale	1,879
Net property and equipment	147
Other assets	324
Long-term assets held for sale	471
Accounts payable	965
Other current liabilities	420
Current liabilities held for sale	1,385
Long-term liabilities held for sale	79

Discontinued Operations

During the first quarter of fiscal 2014, and prior to the aforementioned sale agreement, Best Buy Europe sold its fixed-line business in Switzerland, which resulted in a gain of $28 million (with no tax impact).

Discontinued operations are comprised of mindSHIFT Technologies, Inc. ("mindSHIFT") operations within our Domestic segment, which we sold in the fourth quarter of fiscal 2014, and Best Buy Europe operations within our International segment, as described above. The presentation of discontinued operations has been retrospectively applied to all prior periods presented.

The aggregate financial results of all discontinued operations for the three months ended May 4, 2013, were as follows ($ in millions):

	Three Months Ended May 4, 2013
Revenue	$1,463
Restructuring charges[1]	53
Loss from discontinued operations before income tax expense	(185)
Income tax expense[2]	(13)
Gain on sale of discontinued operations	28
Net loss from discontinued operations, including noncontrolling interests	(170)
Net earnings from discontinued operations attributable to noncontrolling interests	(8)
Net loss from discontinued operations attributable to Best Buy Co., Inc. shareholders	$(178)

(1) See Note 5, Restructuring Charges, for further discussion of the restructuring charges associated with discontinued operations.

(2) The fiscal 2014 effective tax rate for discontinued operations differs from the statutory tax rate primarily due to the $53 million of restructuring charges and $175 million impairment of our investment in Best Buy Europe, which generally included no related tax benefit. The deferred tax assets related to the restructuring charges generally resulted in an increase in the valuation allowance in an equal amount, while the investment impairment is not tax deductible.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 — Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Table of Contents

Level 2 — Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 — Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following tables set forth by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at May 3, 2014, February 1, 2014, and May 4, 2013, according to the valuation techniques we used to determine their fair values ($ in millions).

		Fair Value Measurements Using Inputs Considered as		
	Fair Value at May 3, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$16	$16	$—	$—
Commercial paper	149	—	149	—
Treasury bills	100	100	—	—
Short-term investments				
Commercial paper	234	—	234	—
Treasury bills	100	100	—	—
Other assets				
Auction rate securities	9	—	—	9
Marketable securities that fund deferred compensation	96	96	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	8	—	8	—

Table of Contents

	Fair Value at February 1, 2014	Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$53	$53	$—	$—
Commercial paper	80	—	80	—
Treasury bills	263	263	—	—
Short-term investments				
Commercial paper	100	—	100	—
Other current assets				
Foreign currency derivative instruments	2	—	2	—
Other assets				
Auction rate securities	9	—	—	9
Marketable securities that fund deferred compensation	96	96	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	5	—	5	—

	Fair Value at May 4, 2013	Fair Value Measurements Using Inputs Considered as Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
ASSETS				
Cash and cash equivalents				
Money market funds	$40	$40	$—	$—
Other assets				
Auction rate securities	21	—	—	21
Marketable equity securities	3	3	—	—
Marketable securities that fund deferred compensation	90	90	—	—
LIABILITIES				
Accrued liabilities				
Foreign currency derivative instruments	5	—	5	—
ASSETS HELD FOR SALE				
Short-term investments				
Marketable equity securities	9	9	—	—
Other current assets				

Money market funds (restricted assets)	34	34	—	—

There was no change in the beginning and ending balances of items measured at fair value on a recurring basis in the tables above that used significant unobservable inputs (Level 3) for the three months ended May 3, 2014, and May 4, 2013.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Money Market Funds. Our money market fund investments that are traded in an active market were measured at fair value using quoted market prices and, therefore, were classified as Level 1. Our money market fund investments not traded on a

Table of Contents

regular basis or in an active market, and for which we have been unable to obtain pricing information on an ongoing basis, were measured using inputs other than quoted market prices that are observable for the investments and, therefore, were classified as Level 2.

Commercial Paper. Our investments in commercial paper were measured using inputs based upon quoted prices for similar instruments in active markets and, therefore, were classified as Level 2.

Treasury Bills. Our Treasury bills were classified as Level 1 as they trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign Currency Derivative Instruments. Comprised primarily of foreign currency forward contracts and foreign currency swap contracts, our foreign currency derivative instruments were measured at fair value using readily observable market inputs, such as quotations on forward foreign exchange points and foreign interest rates. Our foreign currency derivative instruments were classified as Level 2 as these instruments are custom, over-the-counter contracts with various bank counterparties that are not traded in an active market.

Auction Rate Securities. Our investments in auction rate securities ("ARS") were classified as Level 3 as quoted prices were unavailable. Due to limited market information, we utilized a discounted cash flow ("DCF") model to derive an estimate of fair value. The assumptions we used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS.

Marketable Equity Securities. Our marketable equity securities were measured at fair value using quoted market prices. They were classified as Level 1 as they trade in an active market for which closing stock prices are readily available.

Deferred Compensation. The assets that fund our deferred compensation consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these mutual funds trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities that are measured at fair value on a nonrecurring basis relate primarily to our tangible fixed assets, goodwill and other intangible assets, which are remeasured when the derived fair value is below carrying value on our Consolidated Balance Sheets. For these assets, we do not periodically adjust carrying value to fair value except in the event of impairment. When we determine that impairment has occurred, the carrying value of the asset is reduced to fair value and the difference is recorded within operating income in our Consolidated Statements of Earnings.

The following table summarizes the fair value remeasurements for non-restructuring property and equipment impairments and restructuring activities recorded during the three months ended May 3, 2014, and May 4, 2013 ($ in millions):

	Three Months Ended May 3, 2014		Three Months Ended May 4, 2013	
	Impairments	Remaining Net Carrying Value[1]	Impairments	Remaining Net Carrying Value[1]
Continuing operations				

Property and equipment (non-restructuring)	$9	$—	$13	$—
Restructuring activities[2]				
Property and equipment	1	—	1	—
Total continuing operations	$10	$—	$14	$—
Discontinued operations[3]				
Property and equipment[4]	$—	$—	$220	$147
Tradename	—	—	4	22
Total discontinued operations	$—	$—	$224	$169

(1) Remaining net carrying value approximates fair value.
(2) See Note 5, Restructuring Charges, for additional information.

12

Table of Contents

(3) Property and equipment and tradename impairments associated with discontinued operations are recorded within loss from discontinued operations in our Consolidated Statements of Earnings.

(4) Includes the $175 million impairment to write down the book value of our investment in Best Buy Europe to fair value based on expected net proceeds as described in Note 2, Assets and Liabilities Held for Sale and Discontinued Operations. The impairment was calculated based on the fair value and foreign currency translation adjustment associated with the business and was applied to the fixed assets.

All of the fair value remeasurements included in the table above were based on significant unobservable inputs (Level 3). Fixed asset fair values were derived using a DCF model to estimate the present value of net cash flows that the asset or asset group was expected to generate. The key inputs to the DCF model generally included our forecasts of net cash generated from revenue, expenses and other significant cash outflows, such as capital expenditures, as well as an appropriate discount rate. For the tradename, fair value was derived using the relief from royalty method. In the case of these specific assets, for which their impairment was the result of restructuring activities, no future cash flows have been assumed as the assets will cease to be used and expected sale values are nominal.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, short-term investments, other investments, accounts payable, other payables, and short- and long-term debt. The fair values of cash, receivables, short-term investments, accounts payable, other payables and short-term debt approximated carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. Fair values for other investments held at cost are not readily available, but we estimate that the carrying values for these investments approximate fair value. See Note 6, Debt, for information about the fair value of our long-term debt.

4. Goodwill and Intangible Assets

The changes in the carrying values of goodwill and indefinite-lived tradenames by segment were as follows in the three months ended May 3, 2014, and May 4, 2013 ($ in millions):

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at February 1, 2014	$425	$—	$425	$19	$82	$101
Changes in foreign currency exchange rates	—	—	—	—	(1)	(1)
Balances at May 3, 2014	$425	$—	$425	$19	$81	$100

	Goodwill			Indefinite-lived Tradenames		
	Domestic	International	Total	Domestic	International	Total
Balances at February 2, 2013	$528	$—	$528	$19	$112	$131
Transfer of assets held for sale	—	—	—	—	(22	