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# Best Buy Looking Like a Good Buy

*By Laurie Danas*

For private equity buyers shopping for a retailer that has the most cash, there's no better deal than Best Buy Co. (NYSE:BBY). The company is valued at 3.6 times its free cash flow subsequent to losing nearly a third of its market value in 2011. Best Buy was one of the worst performing retail stocks in the Standard & Poor's 500 Index last year, but at the same time also reached its lowest valuation relative to earnings.

**Telsey Advisory Group and Morningstar Inc. says the company could get at least \$37 a share in an acquisition. "Now would be the time, if I were private equity, to be dusting this off," Joe Feldman, analyst at Telsey, said. "They generate a ton of free cash. From a valuation standpoint, it does look like an attractive candidate for a takeout."**

According to R.J. Hottovy, director of consumer research at Chicago-based Morningstar, Best Buy may now draw private equity funds because it still has more free cash than any similar retailer and has more cash than debt.

"With regard to private equity, this is a situation that might make some sense," Hottovy said. "It does have a solid free cash flow profile and this is a situation where Best Buy may benefit from a more dynamic leadership group, a group that understands the evolving dynamics of the consumer electronics retail business."

Even with the added cost cuts and earnings a private equity firm could potentially squeeze out, Best Buy may get at least \$37 a share in a buyout according to Di Zhou, analyst at Thornburg. "Some of the things we see, private equity firms could see as well," she said.

Here's how shares of Best Buy and its retail competitors are reacting to the news today:

Best Buy Co. Inc. (NYSE:BBY): BBY shares recently traded at \$23.09, down \$0.14, or 0.6%. They have traded in a 52-week range of \$21.79 to \$36.13. Volume today was 1,903,358 shares versus a 3-month average volume of 6,496,360 shares. The company's trailing P/E is 7.97, while trailing earnings are \$2.90 per share.

hhgregg, Inc. (NYSE:HGG): HGG shares recently traded at \$13.27, down \$0.39, or 2.86%. They have traded in a 52-week range of \$8.88 to \$21.12. Volume today was 77,781 shares versus a 3-month average volume of 505,862 shares. The company's trailing P/E is 11.39, while trailing earnings are \$1.17 per share.

GameStop Corp. (NYSE:GME): GME shares recently traded at \$24.30, up \$0.17, or 0.7%. They have traded in a 52-week range of \$18.34 to \$28.66. Volume today was 577,012 shares versus a 3-month average volume of 3,358,840 shares. The company's trailing P/E is 8.72, while trailing earnings are \$2.79 per share.

Apple Inc. (NASDAQ:AAPL): AAPL shares recently traded at \$414.66, up \$1.22, or 0.3%. They have traded in a 52-week range of \$310.50 to \$426.70. Volume today was 2,953,231 shares versus a 3-month average volume of 15,347,000 shares. The company's trailing P/E is 14.98, while trailing earnings are \$27.68 per share.

Target Corp. (NYSE:TGT): TGT shares recently traded at \$48.13, down \$1.87, or 3.74%. They have traded in a 52-week range of \$45.28 to \$56.44. Volume today was 7,850,733 shares versus a 3-month average volume of 5,936,550 shares. The company's trailing P/E is 11.20, while trailing earnings are \$4.30 per share.

Wal-Mart Stores Inc. (NYSE:WMT): WMT shares recently traded at \$59.04, down \$0.67, or 1.12%. They have traded in a 52-week range of \$48.31 to \$61.06. Volume today was 4,502,437 shares versus a 3-month average volume of 10,676,300 shares. The company's trailing P/E is 12.50, while trailing earnings are \$4.72 per share.

Amazon.com Inc. (NASDAQ:AMZN): AMZN shares recently traded at \$175.91, down \$1.6, or 0.9%. They have traded in a 52-week range of \$160.59 to \$246.71. Volume today was 1,022,819 shares versus a 3-month average volume of 6,593,480 shares. The company's trailing P/E is 92.73, while trailing earnings are \$1.90 per share.

eBay Inc. (NASDAQ:EBAY): EBAY shares recently traded at \$30.26, up \$0.1, or 0.33%. They have traded in a 52-week range of \$26.86 to \$35.35. Volume today was 3,174,399 shares versus a 3-month average volume of 11,142,100 shares. The company's trailing P/E is 22.07, while trailing earnings are \$1.37 per share.