



Investor Update



September 2007



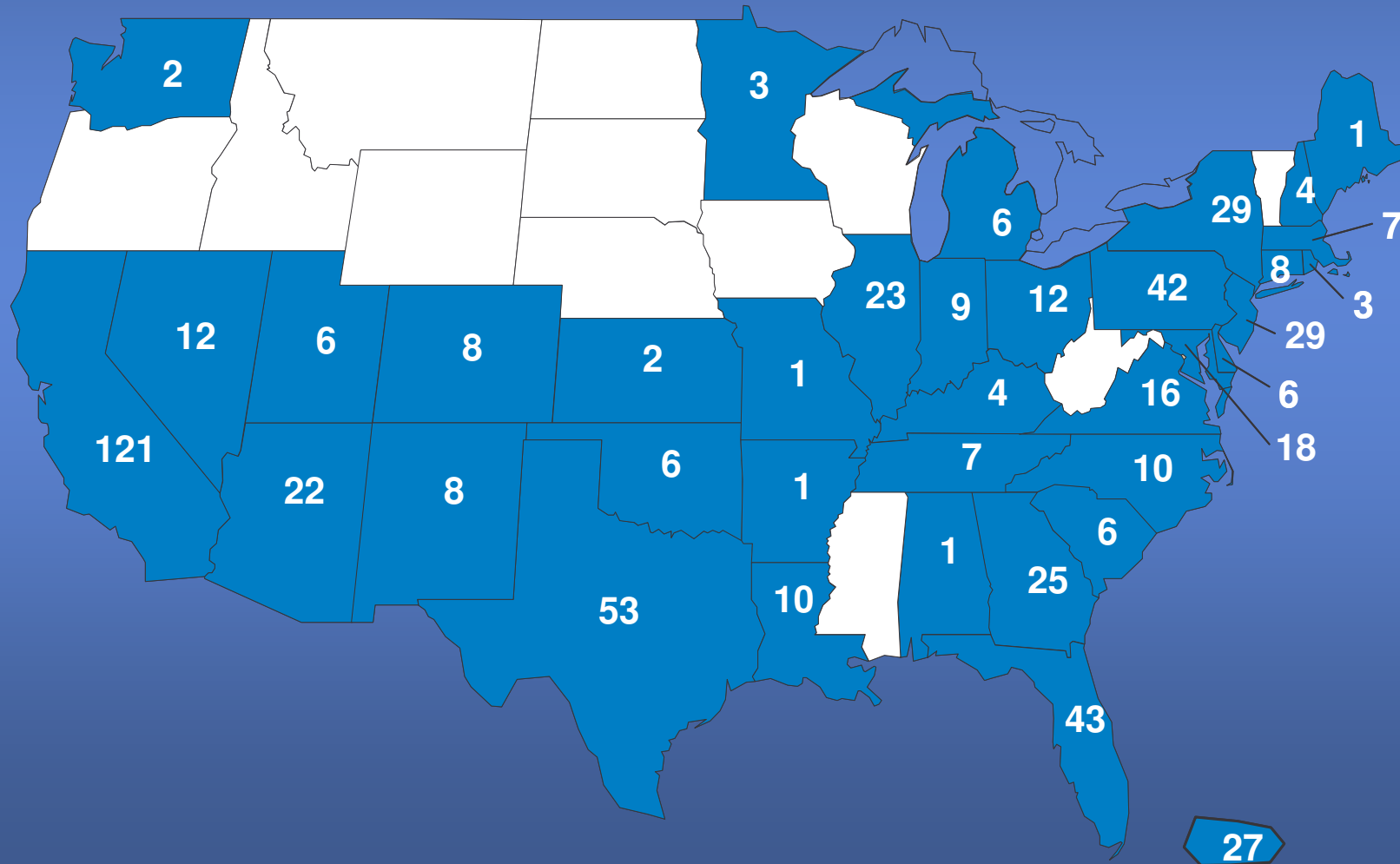
Safe Harbor Statement

This presentation includes “forward forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements contained herein other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any statements of the plans and objectives for future operations and any statement of assumptions underlying an future operations and any statement of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may”, “will”, “expects”, “plans”, “anticipates”, “estimates”, “potential” or “continue”, or the negative thereof or other comparable terminology. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that our assumptions made in connection with the forward-looking statements are reasonable, we cannot assure investors that our assumptions and expectations will prove to have been correct. Actual results could differ materially from our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.



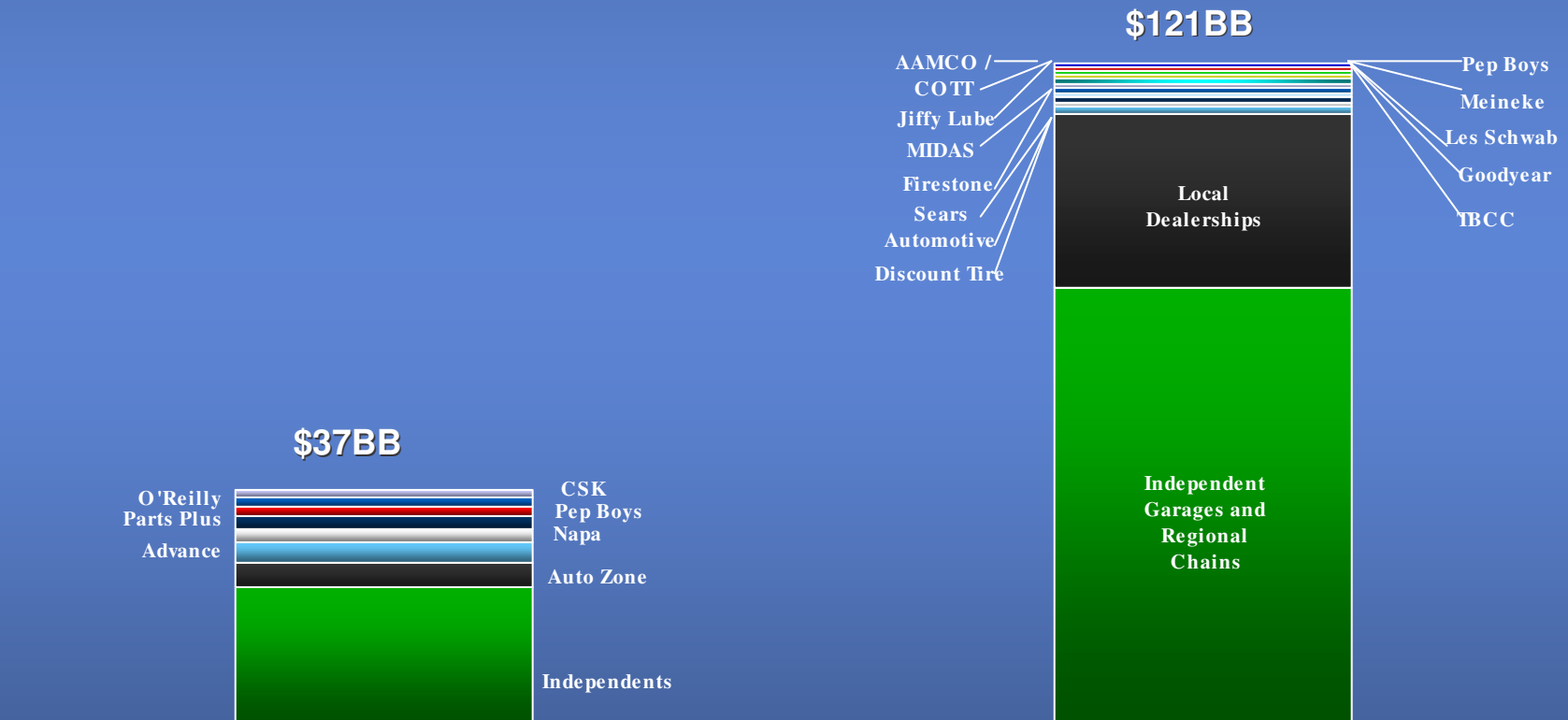
Overview of Pep Boys

Nationwide Presence – 592 Stores, \$2.3 BB Sales





Pep Boys - Aftermarket Industry Competitive Landscape



Source: AAIA, public filings, press releases, PBY analysis



Pep Boys Unique Business Model

- Only national auto aftermarket chain with both retail and service segments

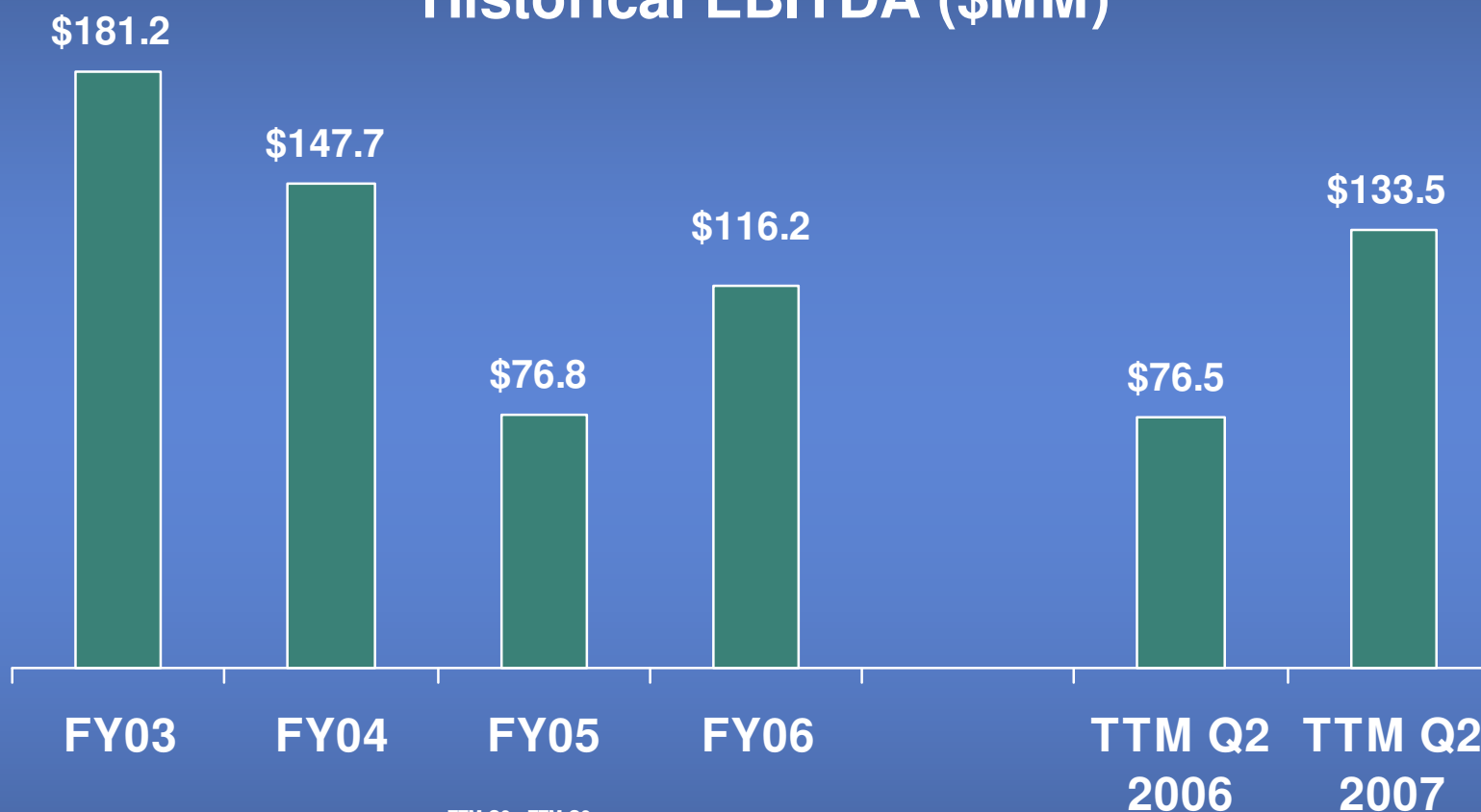
| | <u>Pep Boys</u> | <u>Advance Auto Parts</u> | <u>AutoZone</u> | <u>CSK Auto</u> | <u>O'Reilly</u> | <u>Monro</u> |
|----------------------------|-----------------|---------------------------|-----------------|-----------------|-----------------|--------------|
| Revenue Mix | | | | | | |
| Avg. Square Footage | 20,086 | 7,500 | 6,368 | 7,290 | 6,700 | 4,500 |
| # of States | 36 | 38 | 48 | 19 | 18 | 18 |
| Total Stores | 593 | 2,500+ | 3,300+ | 1,100+ | 1,100+ | 600+ |
| | | Retail | | | Service | |

Source: Public Filings

Pep Boys – Financial Performance Already Rebounding



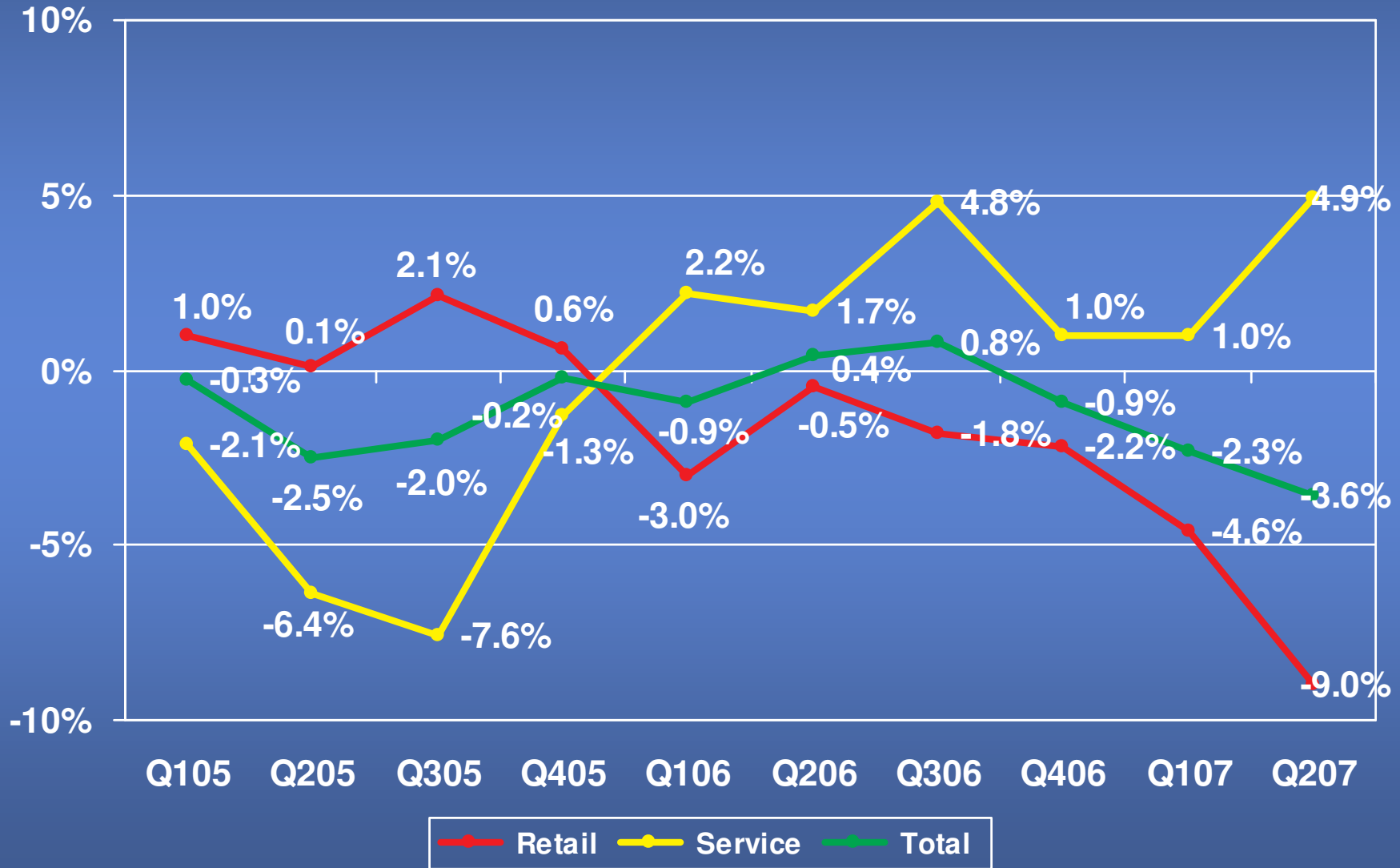
Historical EBITDA (\$MM)



EBITDA Reconciliation

| | FY03 | FY04 | FY05 | FY06 | TTM Q2 2006 | TTM Q2 2007 |
|--------------------------------|-------|--------|--------|--------|-------------|-------------|
| Operating Profit (GAAP) | 10.6 | 75.1 | (11.2) | 36.0 | (5.0) | 50.1 |
| Adjustments | | | | | | |
| Restructuring Charges | 89.0 | | | | | |
| Gain on Asset Sales | | (12.7) | | (15.3) | (7.2) | (11.7) |
| Executive Severance Payment | | 6.9 | | | | |
| Non-Cash Software Asset Charge | | | 4.2 | | | |
| Total Adjustments | 89.0 | (5.8) | 4.2 | (15.3) | (7.2) | (11.7) |
| Operating Profit As Adjusted | 99.6 | 69.3 | (7.0) | 20.7 | (12.2) | 38.4 |
| Depreciation & Amortization | 78.3 | 76.6 | 79.9 | 88.5 | 82.7 | 88.7 |
| Non Operating Income | 3.3 | 1.8 | 3.9 | 7.0 | 6.0 | 6.4 |
| EBITDA (As Adjusted) | 181.2 | 147.7 | 76.8 | 116.2 | 76.5 | 133.5 |

Pep Boys – Service Improving, Retail Focused on Profitable Sales



Retail includes commercial; Service includes installed parts & tires.

Pep Boys – Q2 Highlights



Pep Boys - Manny, Moe & Jack
(\$ in thousands)

| | <u>Retail / Commercial</u> | | | <u>Service, Installed Parts & Tires</u> | | | <u>Total</u> | | |
|-----------------------------------|----------------------------|--------------------|--------------|---|--------------------|--------------|--------------------|--------------------|---------------|
| | <u>Q2 2007</u> | <u>Q2 2006</u> | <u>% Chg</u> | <u>Q2 2007</u> | <u>Q2 2006</u> | <u>% Chg</u> | <u>Q2 2007</u> | <u>Q2 2006</u> | <u>% Chg</u> |
| Sales | 322,464 | 353,554 | -8.8% | 236,425 | 225,011 | 5.1% | 558,889 | 578,565 | -3.4% |
| Gross Profit | 93,141 | 100,180 | -7.0% | 56,997 | 44,922 | 26.9% | 150,138 | 145,102 | 3.5% |
| Gross Profit % to Sales | 28.9% | 28.3% | 0.5% | 24.1% | 20.0% | 4.1% | 26.9% | 25.1% | 1.8% |
| S,G&A | | | | | | | 132,845 | 139,544 | (4.8%) |
| Operating Profit Before Gain/Loss | | | | | | | <u>17,293</u> | <u>5,558</u> | <u>211.1%</u> |
| Net Gain on Sales of Assets | | | | | | | (15) | 6,431 | |
| Operating Profit | | | | | | | <u>17,278</u> | <u>11,989</u> | <u>44.1%</u> |
| Net Income | | | | | | | <u>4,179</u> | <u>1,352</u> | <u>209.1%</u> |

| <u>GAAP Equivalent</u> | <u>Q2 2007</u> | <u>Q2 2006</u> | <u>% Chg</u> |
|------------------------|--------------------|--------------------|--------------|
| Merch Sales | 458,569 | 481,997 | -4.9% |
| Labor Sales | 100,320 | 96,568 | 3.9% |
| Total Sales | 558,889 | 578,565 | -3.4% |

| <u>GAAP Equivalent</u> | <u>Q2 2007</u> | <u>Q2 2006</u> | <u>% Chg</u> |
|------------------------|--------------------|--------------------|--------------|
| Merch Gross Profit | 138,769 | 139,123 | -0.3% |
| Labor Gross Profit | 11,369 | 5,979 | 90.1% |
| Total Gross Profit | 150,138 | 145,102 | 3.5% |

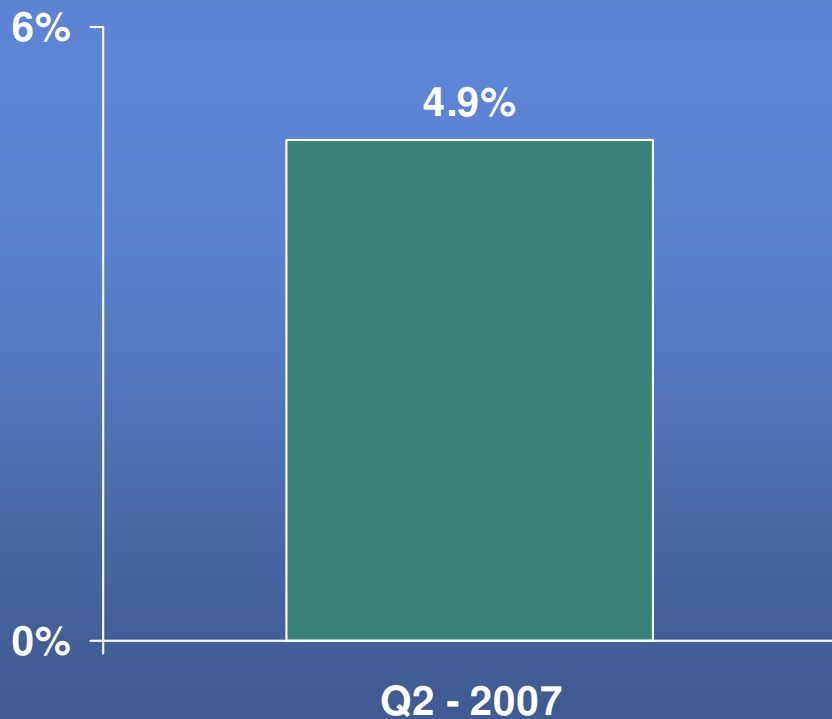
Pep Boys – Early Momentum In Service Renewal



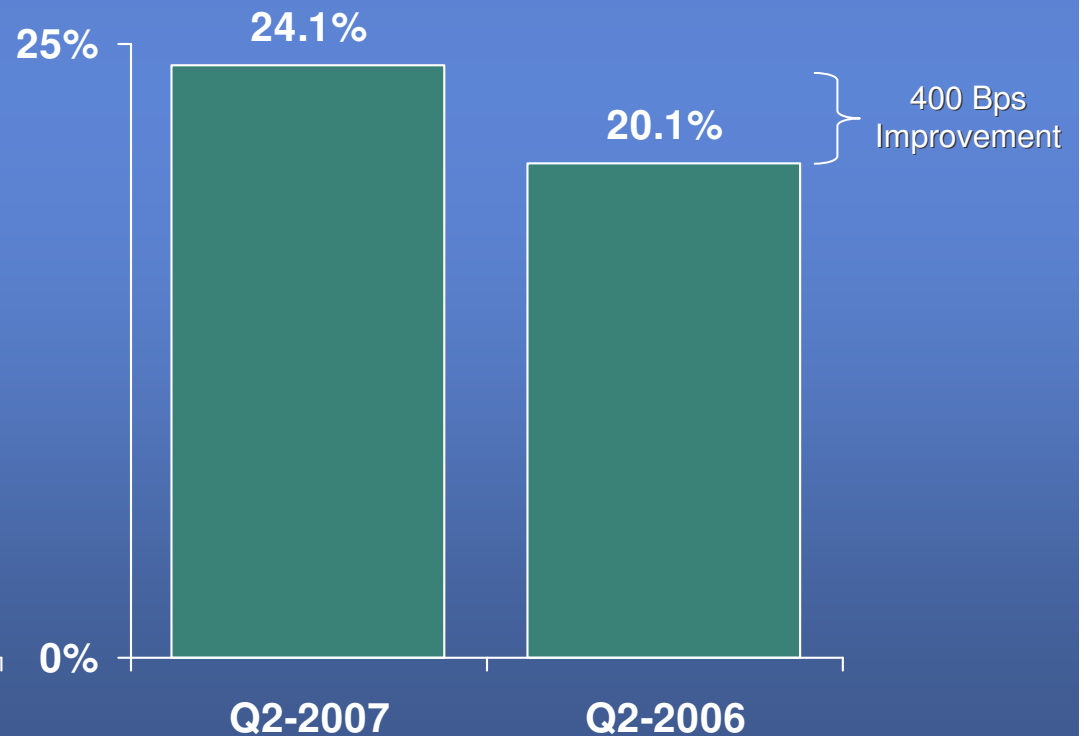
Drivers:

- Buy 3 Get 1 Free Tire Promotion
- Early Adoption of Variable Pricing
- Flat Rate Staffing Stability

Service Comparative Store Sales



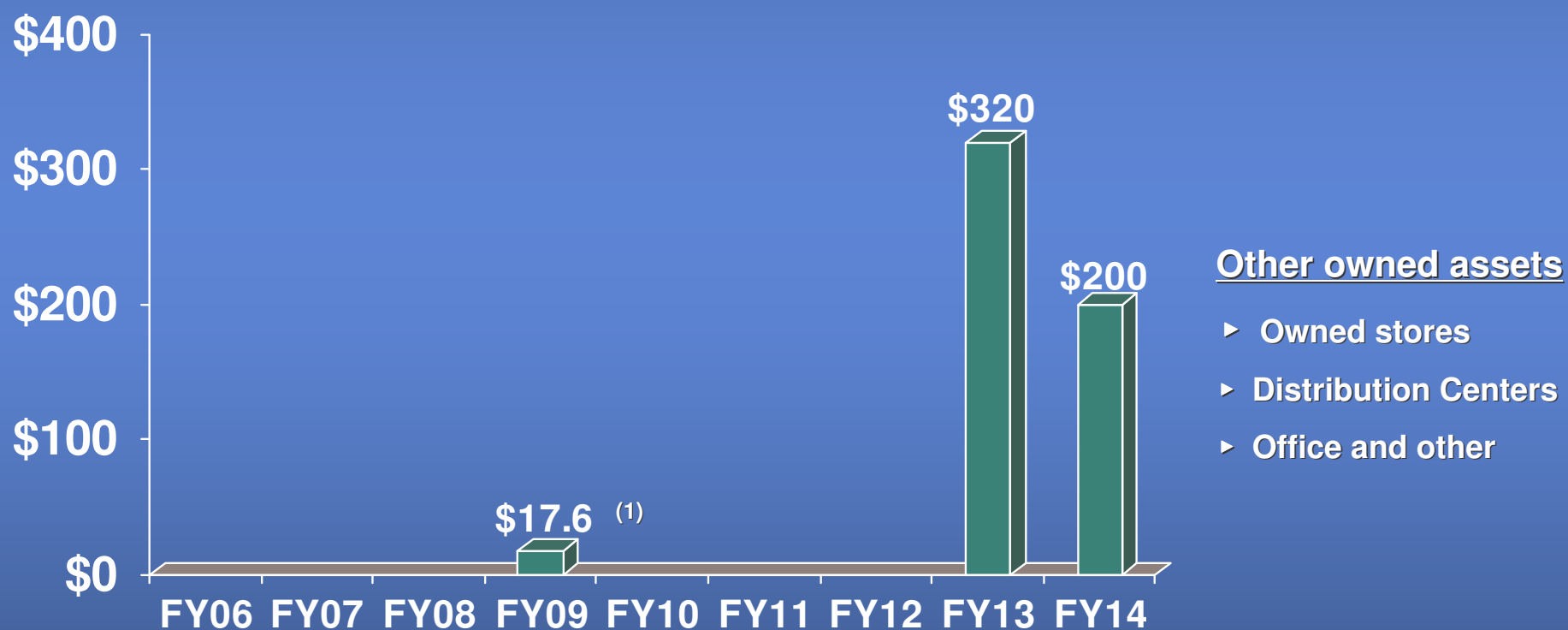
Service Gross Profit Rate





Substantial Financial Flexibility

Debt Maturity Schedule



⁽¹⁾ Amount represents outstandings on the ABL Revolver as of February 3, 2007, excludes synthetic lease purchase obligation



Real Estate

- Building a campaign to reduce assets carried on the balance sheet
- Current properties owned, with an estimated value in excess of \$1BB, potential \$1.3BB in SLB proceeds
 - ▶ 325 owned retail stores
 - ▶ 2 distribution centers
 - ▶ office space
 - ▶ additional equity value in ground leases
- Completed a market by market, store by store review of operating performance, competitive position, asset value, future operating plan
- Expect to complete sales or sale/leasebacks on a substantial portfolio of properties in Q3/Q4 of this year

Improving Efficiency/Reducing The Cost Structure



- A committed program of reducing expenses across the organization, beginning in Fall '06, continuing through 2008
- Targeting 400 BPS total cost reductions (\$90 - \$100MM) profit enhancement run rate by end 2008
- Key opportunities
 - ▶ Store Support Center staffing level reductions and process outsourcing
 - ▶ Rationalization of below scale commercial operations
 - ▶ Service parts pricing enhancements
 - ▶ Freight and logistics costs
 - ▶ Global sourcing to reduce product acquisition costs
- Cost reduction program runs independently from sales and margin initiatives, particularly restoring service center performance



Pep Boys Tactical Priorities

- Service / Tire Renewal
 - ▶ More prominence in marketing program
 - ▶ Staffing and training
 - ▶ Variable Pricing
 - ▶ Variable Compensation
 - ▶ Productivity and Efficiency
 - ▶ Operating Metrics and Drivers
- Retail
 - ▶ Accelerate focus on hard parts
 - ▶ Merchandising / Inventory productivity
 - ▶ Sales culture and customer experience



Pep Boys Turnaround Priorities

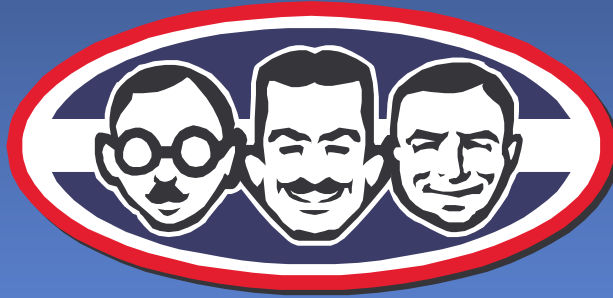
- Continued cost reduction emphasis
 - ▶ Target of 400 BPS run rate by end of 2008
- Lightening the balance sheet
 - ▶ Expect substantial progress in this calendar year
- Improving service and tire performance
 - ▶ Staffing/turnover
 - ▶ Marketing
 - ▶ Variable pricing implementation
 - ▶ Training
- Communicate longer term strategic plan after Q3 2007



PBY – Opportunity and Potential

Investment Opportunity

- 86 Years of Leadership in auto parts services and repair
- Unique national footprint of stores and repair bays
- Substantial tangible assets, including 325 owned stores
- Committed to deliver excellent value to customers and value to shareholders



Question & Answer