



Pep Boys Reports Q1 Results
- Earnings Per Share of \$.06 vs. Loss Per Share of \$0.02 on Gross
Margin Improvement and Reduced SG&A -

PHILADELPHIA – May 22, 2007 - The Pep Boys - Manny, Moe & Jack (NYSE: "PBY"), the nation's leading automotive aftermarket retail and service chain, announced the following results for the thirteen weeks (first quarter) ended May 5, 2007.

Operating Results

First Quarter

Sales

Sales for the thirteen weeks ended May 5, 2007 were \$546,013,000, as compared to the \$556,601,000 for the thirteen weeks ended April 29, 2006. Comparable Sales decreased 2.3%, including a 3.1% comparable merchandise sales decrease and a 1.5% comparable service revenue increase. In accordance with GAAP, merchandise sales includes merchandise sold through both our retail and service center lines of business and service revenue is limited to labor sales. Recategorizing Sales into the respective lines of business from which they are generated, comparable Retail Sales (DIY and Commercial) decreased 4.6% and comparable Service Center Revenue (labor plus installed merchandise and tires) increased 1.0%.

Earnings

Net Earnings (Loss) from Continuing Operations Before Cumulative Effect of Change in Accounting Principle increased from a Net Loss of \$867,000 ((\$0.02) per share - basic and diluted) to Net Earnings of \$3,220,000 (\$0.06 per share - basic and diluted).

Commentary

President & CEO Jeffrey Rachor said, "In my first 60 days, I have visited nearly 100 of our stores, met talented and knowledgeable store staff, engaged hundreds of customers and met much of the store support center staff. From what I have learned, I am more encouraged by the long term opportunity for Pep Boys and its shareholders than when I accepted this position.

While we have turned the corner on restoring the Company to profitability, much work remains to realize the company's true financial potential, including continued margin expansion, cost management, and profitable sales growth. These initiatives can continue to improve operating performance, even before sales productivity increases.

In particular, I am excited about the scale of the opportunity in service, a business I have worked in for 25 years, that has struggled for Pep Boys. It is encouraging that our financial performance has started to turn, before we have begun to fully seize upon these opportunities in service.

Before I joined Pep Boys, the Company had already initiated programs to improve its operational efficiency and take advantage of asset monetization opportunities. I plan to accelerate both of these initiatives while I develop a longer term strategic plan with our Board.”

CFO Harry Yanowitz commented, “Operating margins remain an important focus for Pep Boys. This quarter, we improved gross margin rates in both our retail and service center lines of business. SG&A expenses, especially if one excludes CEO transition costs, were down significantly, as our productivity initiatives launched last summer start to show through to our results.

As we announced on last quarter’s earnings call, at the end of Q4 2006, we ceased commercial sales in certain of our stores, which while reducing our Q1 comparable sales (2007 vs. 2006) by approximately 1%, is consistent with our prioritization of profits over sales.

Q1 Operating Profit improved by \$8.8 million from \$7.2 million in 2006 to \$16.0 million in 2007. Operating Profit included (i) in Q1 2006, a \$0.4 million Net Loss from Dispositions of Assets and a \$2.3 million gain from the settlement of a product liability legal reserve and (ii) in Q1 2007, a \$3.7 million gain from an insurance claim for stores impaired during Hurricane Katrina in 2005 (\$2.4 million recognized in Net Gains from Dispositions of Assets and \$1.3 million in merchandise margins) and a \$3.9 million charge to SG&A for CEO transition costs.

EBITDA, a non-GAAP indicator of levels of our financial performance that includes the gains and charges noted above, improved in Q1 2007 by \$8.6 million to \$39.0 million, as compared to Q1 2006.

Our trailing four quarter Operating (Loss) Profit has improved from a loss of \$7.3 million to a profit of \$44.9 million, while our trailing four quarter EBITDA has nearly doubled from \$76.9 million to \$139.4 million.

During the quarter we repurchased \$50.8 million of our common shares, retiring 5.0% of our shares outstanding as of February 3, 2007.”

Pep Boys has 593 stores and more than 6,000 service bays in 36 states and Puerto Rico. Along with its vehicle repair and maintenance capabilities, the Company also serves the commercial auto parts delivery market and is one of the leading sellers of replacement tires in the United States. Customers can find the nearest location by calling 1-800 -PEP-BOYS or by visiting pepboys.com.

Certain statements contained herein constitute "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995. The word "guidance," "expect," "anticipate," "estimates," "forecasts" and similar expressions are intended to identify such forward-looking statements. Forward-looking statements include management's expectations regarding future financial performance, automotive aftermarket trends, levels of competition, business development activities, future capital expenditures, financing sources and availability and the effects of regulation and litigation. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The Company's actual results may differ materially from the results discussed in the forward-looking statements due to factors beyond the control of the Company, including the strength of the national and regional economies, retail and commercial consumers' ability to spend, the health of the various sectors of the automotive aftermarket, the weather in geographical regions with a high concentration of the Company's stores, competitive pricing, the location and number of competitors' stores, product and labor costs and the additional factors described in the Company's filings with the SEC. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Investors have an opportunity to listen to the Company's quarterly conference calls discussing its results and related matters. The call for the first quarter will be broadcast live on Wednesday, May 23rd at 8:30 a.m. ET over the Internet at Broadcast Networks' Vcall website, located at <http://www.investorcalendar.com>. To listen to the call live, please go to the website at least 15 minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available shortly after the call. Supplemental financial information will be available the morning of May 23rd on Pep Boys' website at www.pepboys.com.

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Pep Boys Financial Highlights

<u>Thirteen weeks ended</u>	<u>May 5, 2007</u>	<u>April 29, 2006</u>
Total Revenues	\$ 546,013,000	\$ 556,601,000
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 3,220,000	\$ (867,000)
Basic Earnings (Loss) Per Share:		
Average Shares	53,122,000	54,224,000
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06	\$ (0.02)
Diluted Earnings (Loss) Per Share:		
Average Shares	53,634,000	54,224,000
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06	\$ (0.02)

EBITDA Reconciliation

EBITDA is defined as Net Earnings (Loss) plus Interest Expense, minus Income Tax Benefit, plus Income Tax Expense, plus Depreciation and Amortization. EBITDA is not a measurement of financial performance under generally accepted accounting principles and may not be compared to similarly captioned information reported by other companies. In addition, it does not replace net income or cash flow from operations as an indicator of financial performance or liquidity. We believe EBITDA provides a useful indicator of levels of our financial performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. A reconciliation of EBITDA for the thirteen and fifty-three weeks ended May 5, 2007, and the thirteen and fifty-two weeks ended April 29, 2006, respectively, to the most directly comparable GAAP measure (Operating Profit) in accordance with SEC Regulation G follows:

	Thirteen weeks ended May 5, 2007	Thirteen weeks ended April 29, 2006
Operating Profit	\$ 16,079,000	\$ 7,242,000
Non-operating Income	1,905,000	2,259,000
Discontinued Operations, pre tax	(64,000)	(105,000)
Cumulative Effect of Change in Accounting Principle, pre tax	-	268,000
Depreciation and Amortization	21,111,000	20,723,000
EBITDA	\$ <u>39,031,000</u>	\$ <u>30,387,000</u>
	Trailing Four Quarters Fifty-three weeks ended May 5, 2007	Trailing Four Quarters Fifty-two weeks ended April 29, 2006
Operating Profit	\$ 44,859,000	\$ (7,342,000)
Non-operating Income	6,669,000	4,418,000
Discontinued Operations, pre tax	(1,004,000)	918,000
Cumulative Effect of Change in Accounting Principle, pre tax	-	(2,914,000)
Depreciation and Amortization	88,864,000	81,825,000
EBITDA	\$ <u>139,388,000</u>	\$ <u>76,905,000</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

Thirteen weeks ended	May 5, 2007		April 29, 2006	
	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 445,035	81.5	\$ 457,315	82.2
Service Revenue	100,978	18.5	99,286	17.8
Total Revenues	546,013	100.0	556,601	100.0
Costs of Merchandise Sales	315,310	70.9	329,548	72.1
Costs of Service Revenue	88,911	88.0	88,175	88.8
Total Costs of Revenues	404,221	74.0	417,723	75.0
Gross Profit from Merchandise Sales	129,725	29.1	127,767	27.9
Gross Profit from Service Revenue	12,067	12.0	11,111	11.2
Total Gross Profit	141,792	26.0	138,878	25.0
Selling, General and Administrative Expenses	128,072	23.5	131,221	23.6
Net Gain (Loss) from Dispositions of Assets	2,359	0.4	(415)	(0.1)
Operating Profit	16,079	2.9	7,242	1.3
Non-operating Income	1,905	0.3	2,259	0.4
Interest Expense	12,656	2.3	10,337	1.9
Earnings (Loss) From Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle	5,328	1.0	(836)	(0.2)
Income Tax Expense	2,108	39.6 ⁽¹⁾	31	(3.7) ⁽¹⁾
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	3,220	0.6	(867)	(0.2)
Discontinued Operations, Net of Tax	(45)	-	(103)	-
Cumulative Effect of Change in Accounting Principle, Net of Tax	-	-	267	-
Net Earnings (Loss)	3,175	0.6	(703)	(0.1)
Retained Earnings, beginning of period	463,797		481,926	
Cumulative effect adjustment for adoption of FIN 48	(155)		-	
Cash Dividends	(3,581)		(3,705)	
Effect of Stock Options	(479)		(66)	
Dividend Reinvestment Plan	-		(14)	
Retained Earnings, end of period	\$ 462,757		\$ 477,438	
Basic Earnings (Loss) per Share:				
Basic Weighted Average Shares Outstanding	53,122		54,224	
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06		\$ (0.02)	
Discontinued Operations, Net of Tax	-		-	
Cumulative Effect of Change in Accounting Principle, Net of Tax	-		0.01	
Basic Earnings (Loss) per Share	\$ 0.06		\$ (0.01)	
Diluted Earnings (Loss) per Share:				
Diluted Weighted Average Shares Outstanding	53,634		54,224	
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06		\$ (0.02)	
Discontinued Operations, Net of Tax	-		-	
Cumulative Effect of Change in Accounting Principle, Net of Tax	-		0.01	
Diluted Earnings (Loss) per Share	\$ 0.06		\$ (0.01)	
Cash Dividends per Share	\$ 0.0675		\$ 0.0675	

⁽¹⁾ As a percentage of earnings (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle.

CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands, except per share amounts)

	<i>May 5, 2007</i>	<i>February 3, 2007</i>	<i>April 29, 2006</i>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 30,781	\$ 21,884	\$ 51,698
Accounts receivable, net	31,261	29,582	37,928
Merchandise inventories	618,814	607,042	618,650
Prepaid expenses	40,145	39,264	40,648
Other	62,142	70,368	72,049
Assets held for disposal	-	-	2,083
Total Current Assets	783,143	768,140	823,056
Property and Equipment - at cost:			
Land	251,705	251,705	257,105
Buildings and improvements	931,268	929,225	917,007
Furniture, fixtures and equipment	692,391	684,042	667,145
Construction in progress	3,049	3,464	16,672
	1,878,413	1,868,436	1,857,929
Less accumulated depreciation and amortization	982,585	962,189	926,857
Property and Equipment - net	895,828	906,247	931,072
Deferred income taxes	25,075	24,828	-
Other	64,476	67,984	46,471
Total Assets	\$ 1,768,522	\$ 1,767,199	\$ 1,800,599
Liabilities and Stockholders' Equity			
Current Liabilities:			
Accounts payable	\$ 232,872	\$ 265,489	\$ 256,740
Trade payable program liability	14,046	13,990	13,243
Accrued expenses	281,120	292,280	281,487
Deferred income taxes	25,215	28,931	14,957
Current maturities of long-term debt and obligations under capital leases	3,474	3,490	1,258
Total Current Liabilities	556,727	604,180	567,685
Long-term debt and obligations under capital leases,			
less current maturities	623,761	535,031	460,702
Convertible long-term debt	-	-	119,000
Other long-term liabilities	66,959	60,233	58,177
Deferred income taxes	-	-	3,509
Commitments and Contingencies			
Stockholders' Equity:			
Common Stock, par value \$1 per share:			
Authorized 500,000,000 shares; Issued 68,557,041 shares	68,557	68,557	68,557
Additional paid-in capital	292,837	289,384	288,570
Retained earnings	462,757	463,797	477,438
Accumulated other comprehensive loss	(10,296)	(9,380)	(3,229)
Less cost of shares in treasury - 15,000,595 shares, 12,427,687 shares and 12,109,304 shares	233,516	185,339	180,546
Less cost of shares in benefits trust - 2,195,270 shares	59,264	59,264	59,264
Total Stockholders' Equity	521,075	567,755	591,526
Total Liabilities and Stockholders' Equity	1,768,522	\$ 1,767,199	\$ 1,800,599

THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES
(UNAUDITED)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollar amounts in thousands)

Thirteen weeks ended	May 5, 2007	April 29, 2006
Cash Flows from Operating Activities:		
Net Earnings (Loss)	\$ 3,175	\$ (703)
Adjustments to reconcile net loss to net cash provided by continuing operations:		
Net loss from discontinued operations	45	103
Depreciation and amortization	21,111	20,723
Cumulative effect of change in accounting principle, net of tax	-	(267)
Accretion of asset disposal obligation	65	67
Stock compensation expense	4,390	1,148
Deferred income taxes	1,642	(90)
(Gain) loss from dispositions of assets	(2,359)	415
Loss from derivative valuation	1,802	-
Excess tax benefits from stock based awards	(301)	(23)
Increase in cash surrender value of life insurance policies	(534)	(385)
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable, prepaid expenses and other	8,818	12,901
Increase in merchandise inventories	(11,772)	(2,358)
Decrease in accounts payable	(32,617)	(5,200)
Decrease in accrued expenses	(2,257)	(10,088)
Increase in other long-term liabilities	1,075	696
Net cash (used in) provided by continuing operations	(7,717)	16,939
Net cash used in discontinued operations	(90)	(165)
Net Cash (Used in) Provided by Operating Activities	(7,807)	16,774
Cash Flows from Investing Activities:		
Cash paid for property and equipment	(11,610)	(5,628)
Proceeds from dispositions of assets	-	135
Net Cash Used in Investing Activities	(11,610)	(5,493)
Cash Flows from Financing Activities:		
Net borrowings (payments) under line of credit agreements	89,605	(6,450)
Excess tax benefits from stock based awards	301	23
Net borrowings on trade payable program liability	56	2,087
Reduction of long-term debt	(808)	(5)
Payments on capital lease obligations	(83)	(81)
Dividends paid	(3,581)	(3,705)
Repurchase of common stock	(58,152)	-
Proceeds from exercise of stock options	773	48
Proceeds from dividend reinvestment plan	203	219
Net Cash Provided by (Used in) Financing Activities	28,314	(7,864)
Net Increase in Cash	8,897	3,417
Cash and Cash Equivalents at Beginning of Period	21,884	48,281
Cash and Cash Equivalents at End of Period	\$ 30,781	\$ 51,698
Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities:		
Accrued purchases of property and equipment	\$ 2,804	\$ 672

COMPUTATION OF BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

(in thousands, except per share data)

Thirteen weeks ended	May 5, 2007	April 29, 2006
(a) Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 3,220	\$ (867)
Discontinued Operations, Net of Tax	(45)	(103)
Cumulative Effect of Change in Accounting Principle, Net of Tax	-	267
Net Earnings (Loss)	<u>\$ 3,175</u>	<u>\$ (703)</u>
(b) Average number of common shares outstanding during period	53,122	54,224
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price	512	-
(c) Average number of common shares assumed outstanding during period	53,634	54,224
Basic Earnings (Loss) per Share:		
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06	\$ (0.02)
Discontinued Operations, Net of Tax	-	-
Cumulative Effect of Change in Accounting Principle, Net of Tax	-	0.01
Basic Earnings (Loss) per Share	<u>\$ 0.06</u>	<u>\$ (0.01)</u>
Diluted Earnings (Loss) per Share:		
Net Earnings (Loss) From Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 0.06	\$ (0.02)
Discontinued Operations, Net of Tax	-	-
Cumulative Effect of Change in Accounting Principle, Net of Tax	-	0.01
Diluted Earnings (Loss) per Share	<u>\$ 0.06</u>	<u>\$ (0.01)</u>

ADDITIONAL INFORMATION

(dollar amounts in thousands)

Thirteen weeks ended	May 5, 2007	April 29, 2006
Capital expenditures	\$ 10,453	\$ 6,300
Depreciation and amortization	\$ 21,111	\$ 20,723
Non-operating income:		
Net rental revenue	\$ 798	\$ 673
Investment income	1,133	1,707
Other (expense) income	(26)	(121)
Total	\$ 1,905	\$ 2,259
Comparable sales percentages:		
Merchandise	-3.1 %	-1.0 %
Service	1.5 %	-0.6 %
Total	-2.3 %	-0.9 %
Total square feet of retail space (including service centers)	12,164,029	12,167,089
Total Store Count	593	593
Sales and Gross Profit by Line of Business (A):		
Retail Sales	\$ 314,704	\$ 327,957
Service Center Revenue	231,309	228,644
Total Revenues	\$ 546,013	\$ 556,601
Gross Profit from Retail Sales	\$ 89,743	\$ 89,560
Gross Profit from Service Center Revenue	52,049	49,318
Total Gross Profit	\$ 141,792	\$ 138,878
Comparable Sales Percentages (A):		
Retail Sales	-4.6 %	-3.0 %
Service Center Revenue	1.0 %	2.2 %
Total Revenues	-2.3 %	-0.9 %
Gross Profit Percentage by Line of Business (A):		
Gross Profit Percentage from Retail Sales	28.5 %	27.3 %
Gross Profit Percentage from Service Center Revenue	22.5 %	21.6 %
Total Gross Profit Percentage	26.0 %	25.0 %

(A) Retail Sales include DIY and Commercial sales. Service Center Revenue includes revenue from labor and installed parts and tires.