



**FOR IMMEDIATE RELEASE**

**Pep Boys Reports Third Quarter 2009 Results**  
**- Net Earnings of \$0.04 per Share on a 1.8% Sales Increase -**

PHILADELPHIA – December 7, 2009 – The Pep Boys – Manny, Moe & Jack (NYSE: "PBYY"), the nation's leading automotive aftermarket service and retail chain, today announced results for the thirteen (third quarter) and thirty-nine (nine months) weeks ended October 31, 2009.

***Operating Results***

**Third Quarter**

**Sales**

Sales for the thirteen weeks ended October 31, 2009 increased by \$8.4 million, or 1.8%, to \$472.6 million from \$464.2 million for the thirteen weeks ended November 1, 2008. Comparable sales increased 1.6%, consisting of an 8.9% comparable service revenue increase and a 0.1% comparable merchandise sales decrease. In accordance with GAAP, service revenue is limited to labor sales while merchandise sales includes merchandise sold through both our service center and retail lines of business. Re-categorizing Sales into the respective lines of business from which they are generated, comparable Service Center Revenue (labor plus installed merchandise and tires) increased 7.0%, while comparable Retail Sales (DIY and Commercial) decreased 2.9%.

**Earnings**

Net Earnings for the third quarter of fiscal 2009 increased to \$2.1 million (\$0.04 per share) from the \$7.3 million loss (\$0.14 per share) recorded in the same period last year. The 2009 results include, on pre-tax basis, a net charge of \$0.3 million, consisting of a \$3.3 million asset impairment charge offset by a \$1.3 million gain from sale leaseback transactions, a \$1.0 million reduction in inventory-related accruals and a \$0.7 million gain from an insurance settlement.

**Nine Months**

**Sales**

Sales for the thirty-nine weeks ended October 31, 2009 decreased by \$4.3 million, or 0.3%, to \$1,458.0 million from \$1,462.3 million for the thirty-nine weeks ended November 1, 2008. Comparable sales decreased 0.4%, consisting of a 5.9% comparable service revenue increase and a 1.8% comparable merchandise sales decrease. Re-categorizing Sales (see above), comparable Service Center Revenue increased 4.1%, while comparable Retail Sales decreased 4.1%.

## **Earnings**

Net Earnings for the first nine months of fiscal 2009 increased to \$20.8 million (\$0.40 per share) from the \$2.8 million (\$0.05 per share) recorded in the same period last year. The 2009 results include, on a pre-tax basis, a net benefit of \$5.9 million, consisting of a \$6.2 million gain resulting from bond repurchases, a \$1.3 million gain from sale leaseback transactions, a \$1.0 million reduction in inventory-related accruals and a \$0.7 million gain from an insurance settlement partially offset by a \$3.3 million asset impairment charge. The 2008 results included, on a pre-tax basis, a net benefit of \$13.1 million, consisting of a \$3.5 million gain resulting from bond repurchases and a \$9.6 million gain from asset dispositions (primarily sale leaseback transactions). The 2008 results also included a one-time tax benefit of \$2.2 million resulting from the recording of a deferred tax asset.

## **Commentary**

“We are pleased to report our first comparable store revenue increase since the fourth quarter of 2006, as well as our first increase in overall customer count since the first quarter of 2004,” said CEO Mike Odell. “We are also excited about the acceleration of our strategy to add Service & Tire Centers surrounding our existing Supercenters. During the third quarter, we acquired 10 Florida Tire locations to increase our total presence in the Orlando market to 16 stores. We also opened four other Service & Tire Centers, two in Southern California and two in Chicago, bringing our year-to-date openings to 20 as we pursue our strategic growth plan.”

Mike continued, “We are three-quarters of the way towards achieving our 2009 ‘Back in Black’ commitment, with another profitable quarter on the books. Our results through the third quarter of this year show significant improvement over the prior year, especially when considering the one-time benefits included in 2008. While we are pleased with our strong revenue growth in our service and commercial businesses, as well as the stability in our DIY core product categories, discretionary spending still remains a challenge to our accessories and complementary product categories, and is expected to continue through the fourth quarter’s holiday season.”

“The cash flows generated from our positive sales trend, coupled with opportunistic single-store sale leaseback transactions, have allowed us to fund our Service & Tire Center acquisitions without using our revolving line of credit, which carried a zero balance at quarter end,” added CFO Ray Arthur.

Pep Boys has approximately 6,000 service bays within over 580 stores located in 35 states and Puerto Rico. Along with its full-service vehicle maintenance and repair 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 [www.pepboys.com](http://www.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 implementation of its long-term strategic plan, 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 third quarter will be broadcast live on Tuesday, December 8 at 8:30 a.m. ET over the Internet at the Vcall Web site, located at <http://www.investorcalendar.com>. To listen to the call live, please go to the Web site 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 December 8 on Pep Boys' Web site at [www.pepboys.com](http://www.pepboys.com).

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*Pep Boys Financial Highlights*

<b><u>Thirteen Weeks Ended</u></b>	<b><u>October 31, 2009</u></b>	<b><u>November 1, 2008</u></b>
Total Revenues	\$ 472,643,000	\$ 464,166,000
Net Earnings	\$ 2,124,000	\$ (7,282,000 )
Basic Earnings Per Share:		
Average Shares	52,419,000	52,099,000
Net Earnings Per Share	\$ 0.04	\$ (0.14 )
Diluted Earnings Per Share:		
Average Shares	52,786,000	52,099,000
Net Earnings Per Share	\$ 0.04	\$ (0.14 )

<b><u>Thirty-Nine Weeks Ended</u></b>	<b><u>October 31, 2009</u></b>	<b><u>November 1, 2008</u></b>
Total Revenues	\$ 1,458,042,000	\$ 1,462,252,000
Net Earnings	\$ 20,768,000	\$ 2,838,000
Basic Earnings Per Share:		
Average Shares	52,379,000	52,106,000
Net Earnings Per Share	\$ 0.40	\$ 0.05
Diluted Earnings Per Share:		
Average Shares	52,621,000	52,189,000
Net Earnings Per Share	\$ 0.40	\$ 0.05

## CONSOLIDATED STATEMENTS OF OPERATIONS

*(dollar amounts in thousands, except per share amounts)*

	Thirteen Weeks Ended				Thirty-Nine Weeks Ended			
	October 31, 2009		November 1, 2008		October 31, 2009		November 1, 2008	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 378,860	80.2	\$ 378,461	81.5	\$ 1,169,108	80.2	1,189,872	81.4
Service Revenue	93,783	19.8	85,705	18.5	288,934	19.8	272,380	18.6
Total Revenues	472,643	100.0	464,166	100.0	1,458,042	100.0	1,462,252	100.0
Costs of Merchandise Sales	269,604	71.2	268,235	70.9	826,429	70.7	838,574	70.5
Costs of Service Revenue	84,770	90.4	81,087	94.6	255,553	88.4	250,434	91.9
Total Costs of Revenues	354,374	75.0	349,322	75.3	1,081,982	74.2	1,089,008	74.5
Gross Profit from Merchandise Sales	109,256	28.8	110,226	29.1	342,679	29.3	351,298	29.5
Gross Profit from Service Revenue	9,013	9.6	4,618	5.4	33,381	11.6	21,946	8.1
Total Gross Profit	118,269	25.0	114,844	24.7	376,060	25.8	373,244	25.5
Selling, General and Administrative Expenses	109,545	23.2	119,827	25.8	327,080	22.4	361,445	24.7
Net (Loss) Gain from Dispositions of Assets	1,332	0.3	(53)	-	1,319	0.1	9,555	0.7
Operating Profit (Loss)	10,056	2.1	(5,036)	(1.1)	50,299	3.4	21,354	1.5
Non-operating Income	724	0.2	305	0.1	1,666	0.1	1,797	0.1
Interest Expense	6,922	1.5	7,098	1.5	15,324	1.1	18,977	1.3
Earnings (Loss) From Continuing Operations Before Income Taxes	3,858	0.8	(11,829)	(2.5)	36,641	2.5	4,174	0.3
Income Tax Expense (Benefit)	1,501	38.9 <sup>(1)</sup>	(4,775)	40.4 <sup>(1)</sup>	15,363	41.9 <sup>(1)</sup>	185	4.4 <sup>(1)</sup>
Net Earnings (Loss) From Continuing Operations	2,357	0.5	(7,054)	(1.5)	21,278	1.5	3,989	0.3
Discontinued Operations, Net of Tax	(233)	-	(228)	-	(510)	-	(1,151)	(0.1)
Net Earnings (Loss)	2,124	0.4	(7,282)	(1.6)	20,768	1.4	2,838	0.2
Retained Earnings, beginning of period	373,963		408,351		358,670		406,819	
Cumulative effect of change in method of accounting for split dollar life insurance, net of tax	-		-		-		(1,165)	
Cash Dividends	(1,557)		(3,523)		(4,709)		(10,551)	
Dividend Reinvested and Other	(69)		(849)		(268)		(1,244)	
Retained Earnings, end of period	\$ 374,461		\$ 396,697		\$ 374,461		\$ 396,697	
<b>Basic Earnings (Loss) per Share:</b>								
Net Earnings (Loss) From Continuing Operations	\$ 0.05		\$ (0.13)		\$ 0.41		\$ 0.08	
Discontinued Operations, Net of Tax	(0.01)		(0.01)		(0.01)		(0.03)	
Basic Earnings (Loss) per Share	\$ 0.04		\$ (0.14)		\$ 0.40		\$ 0.05	
<b>Diluted Earnings (Loss) per Share:</b>								
Net Earnings (Loss) From Continuing Operations	\$ 0.04		\$ (0.13)		\$ 0.40		\$ 0.08	
Discontinued Operations, Net of Tax	-		(0.01)		-		(0.03)	
Diluted Earnings (Loss) per Share	\$ 0.04		\$ (0.14)		\$ 0.40		\$ 0.05	
Cash Dividends per Share	\$ 0.0300		\$ 0.0675		\$ 0.0900		\$ 0.2025	

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

## CONSOLIDATED BALANCE SHEETS

*(dollar amounts in thousands, except share and per share amounts)*

	October 31, 2009	January 31, 2009	November 1, 2008
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 40,843	\$ 21,332	\$ 38,371
Accounts receivable, less allowance for uncollectible accounts of \$1,853; \$1,912 and \$2,109	20,461	28,831	25,838
Merchandise inventories	571,789	564,931	584,700
Prepaid expenses	14,946	25,390	30,133
Other	50,205	62,421	43,774
Assets held for disposal	6,616	12,653	18,222
<b>Total Current Assets</b>	<b>704,860</b>	<b>715,558</b>	<b>741,038</b>
Property and Equipment - net	708,972	740,331	747,921
Deferred income taxes	72,970	77,708	50,315
Other	20,118	18,792	28,669
<b>Total Assets</b>	<b>\$ 1,506,920</b>	<b>\$ 1,552,389</b>	<b>\$ 1,567,943</b>
<b>Liabilities and Stockholders' Equity</b>			
Current Liabilities:			
Accounts payable	\$ 219,205	\$ 212,340	\$ 221,863
Trade payable program liability	26,459	31,930	38,316
Accrued expenses	231,468	254,754	256,620
Deferred income taxes	39,170	35,848	15,013
Current maturities of long-term debt and obligations under capital leases	1,079	1,453	2,060
<b>Total Current Liabilities</b>	<b>517,381</b>	<b>536,325</b>	<b>533,872</b>
Long-term debt and obligations under capital leases, less current maturities	306,471	352,382	330,535
Other long-term liabilities	72,164	70,322	64,487
Deferred gain from asset sales	168,243	170,204	173,184
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	293,330	292,728	292,585
Retained earnings	374,461	358,670	396,697
Accumulated other comprehensive loss	(16,739)	(18,075)	(11,470)
Less cost of shares in treasury - 14,014,018 shares, 14,124,021 shares and 14,234,313 shares	217,684	219,460	221,240
Less cost of shares in benefits trust - 2,195,270 shares	59,264	59,264	59,264
<b>Total Stockholders' Equity</b>	<b>442,661</b>	<b>423,156</b>	<b>465,865</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,506,920</b>	<b>\$ 1,552,389</b>	<b>\$ 1,567,943</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(dollar amounts in thousands)*

Thirty-Nine Weeks Ended	October 31, 2009	November 1, 2008
<b>Cash Flows from Operating Activities:</b>		
Net Earnings	\$ 20,768	\$ 2,838
Adjustments to reconcile net earnings to net cash provided by (used in) continuing operations:		
Discontinued operations	510	1,151
Depreciation and amortization	53,248	55,109
Amortization of deferred gain from asset sales	(9,186)	(7,305)
Stock compensation expense	1,930	2,314
Gain on debt retirement	(6,248)	(3,460)
Deferred income taxes	7,270	(3,603)
Gain from dispositions of assets	(1,319)	(9,555)
Loss from asset impairment	3,117	370
Other	267	441
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable, prepaid expenses and other	33,241	39,759
Increase in merchandise inventories	(5,806)	(23,548)
Increase (decrease) in accounts payable	6,455	(23,560)
Decrease in accrued expenses	(23,922)	(37,077)
Increase (decrease) in other long-term liabilities	2,230	(3,818)
Net cash provided by (used in) continuing operations	82,555	(9,944)
Net cash used in discontinued operations	(594)	(880)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>81,961</b>	<b>(10,824)</b>
<b>Cash Flows from Investing Activities:</b>		
Cash paid for master lease properties	-	(117,121)
Cash paid for property and equipment	(27,775)	(22,653)
Proceeds from dispositions of assets	12,093	209,085
Acquisition of Florida Tire, Inc.	(2,610)	-
Other	(500)	-
Net cash (used in) provided by continuing operations	(18,792)	69,311
Net cash provided by discontinued operations	1,762	2,558
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(17,030)</b>	<b>71,869</b>
<b>Cash Flows from Financing Activities:</b>		
Borrowings under line of credit agreements	244,011	99,888
Payments under line of credit agreements	(267,873)	(141,413)
Borrowings on trade payable program liability	122,914	154,886
Payments on trade payable program liability	(128,385)	(130,824)
Payment for finance issuance cost	-	(182)
Proceeds from lease financing	-	8,661
Long-term debt and capital lease obligations payments	(11,720)	(24,696)
Dividends paid	(4,709)	(10,551)
Other	342	631
<b>Net Cash Used in Financing Activities</b>	<b>(45,420)</b>	<b>(43,600)</b>
Net Increase in Cash and Cash Equivalents	19,511	17,445
Cash and Cash Equivalents at Beginning of Period	21,332	20,926
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 40,843</b>	<b>\$ 38,371</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for income taxes	\$ 4,046	\$ 1,070
Cash paid for interest	\$ 15,492	\$ 17,043
Accrued purchases of property and equipment	\$ 1,575	\$ 1,435

**THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES**
**COMPUTATION OF BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**
*(in thousands, except per share data)*

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
(a) Net Earnings (Loss) From Continuing Operations	\$ 2,357	\$ (7,054)	\$ 21,278	\$ 3,989
Discontinued Operations, Net of Tax	(233)	(228)	(510)	(1,151)
Net Earnings (Loss)	<u>\$ 2,124</u>	<u>\$ (7,282)</u>	<u>\$ 20,768</u>	<u>\$ 2,838</u>
(b) Basic average number of common shares outstanding during period	52,419	52,099	52,379	52,106
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price	367	-	242	83
(c) Diluted average number of common shares assumed outstanding during period	52,786	52,099	52,621	52,189
<b>Basic Earnings (Loss) per Share:</b>				
Net Earnings (Loss) From Continuing Operations (a)/(b)	\$ 0.05	\$ (0.13)	\$ 0.41	\$ 0.08
Discontinued Operations, Net of Tax	(0.01)	(0.01)	(0.01)	(0.03)
Basic Earnings (Loss) per Share	<u>\$ 0.04</u>	<u>\$ (0.14)</u>	<u>\$ 0.40</u>	<u>\$ 0.05</u>
<b>Diluted Earnings (Loss) per Share:</b>				
Net Earnings (Loss) From Continuing Operations (a)/(c)	\$ 0.04	\$ (0.13)	\$ 0.40	\$ 0.08
Discontinued Operations, Net of Tax	-	(0.01)	-	\$ (0.03)
Diluted Earnings (Loss) per Share	<u>\$ 0.04</u>	<u>\$ (0.14)</u>	<u>\$ 0.40</u>	<u>\$ 0.05</u>

**THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES**

**ADDITIONAL INFORMATION**

*(dollar amounts in thousands)*

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2009	November 1, 2008	October 31, 2009	November 1, 2008
Capital expenditures (A)	\$ 10,294	\$ 8,934	\$ 27,775	\$ 139,774
Depreciation and amortization	\$ 17,910	\$ 18,181	\$ 53,248	\$ 55,109
Non-operating income:				
Net rental revenue	\$ 463	\$ 115	\$ 1,252	\$ 1,069
Investment income	47	178	173	745
Other (expense) income	214	12	241	(17)
Total	<u>\$ 724</u>	<u>\$ 305</u>	<u>\$ 1,666</u>	<u>\$ 1,797</u>

Comparable sales percentages:				
Merchandise	-0.1 %	-10.3 %	-1.8 %	-8.1 %
Service	8.9 %	-11.0 %	5.9 %	-6.3 %
Total	1.6 %	-10.4 %	-0.4 %	-7.8 %

Total square feet of retail space (including service centers) 11,639,000 11,514,000

Total Store Count 581 562

**Sales and Gross Profit by Line of Business (B):**

Retail Sales	\$ 246,275	\$ 253,492	\$ 770,121	802,707
Service Center Revenue	226,368	210,674	687,921	659,545
Total Revenues	<u>\$ 472,643</u>	<u>\$ 464,166</u>	<u>\$ 1,458,042</u>	<u>\$ 1,462,252</u>
Gross Profit from Retail Sales	\$ 65,846	\$ 68,360	\$ 210,147	220,139
Gross Profit from Service Center Revenue	52,423	46,484	165,913	153,105
Total Gross Profit	<u>\$ 118,269</u>	<u>\$ 114,844</u>	<u>\$ 376,060</u>	<u>\$ 373,244</u>

**Comparable Sales Percentages (B):**

Retail Sales	-2.9 %	-12.1 %	-4.1 %	-11.3 %
Service Center Revenue	7.0 %	-8.2 %	4.1 %	-3.2 %
Total Revenues	1.6 %	-10.4 %	-0.4 %	-7.8 %

**Gross Profit Percentage by Line of Business (B):**

Gross Profit Percentage from Retail Sales	26.7 %	27.0 %	27.3 %	27.4 %
Gross Profit Percentage from Service Center Revenue	23.2 %	22.1 %	24.1 %	23.2 %
Total Gross Profit Percentage	<u>25.0 %</u>	<u>24.7 %</u>	<u>25.8 %</u>	<u>25.5 %</u>

(A) 2008 Capital expenditures includes \$117.1 million for the purchase of master lease properties.

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