



FOR IMMEDIATE RELEASE

**Pep Boys Reports First Quarter 2010 Results
- Net Earnings of \$0.23 per Share on 2.7% Sales Increase -**

PHILADELPHIA — June 7, 2010 — The Pep Boys — Manny, Moe & Jack (NYSE: “PBY”), the nation’s leading automotive aftermarket service and retail chain, today announced results for the thirteen weeks (first quarter) ended May 1, 2010.

Sales

Sales for the thirteen weeks ended May 1, 2010 increased by \$13.5 million, or 2.7%, to \$510.0 million from \$496.5 million for the thirteen weeks ended May 2, 2009. Comparable sales increased 1.4%, consisting of a 0.1% comparable service revenue increase and a 1.7% comparable merchandise sales increase. In accordance with GAAP, service revenue is limited to labor sales, while merchandise sales include 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 0.9%, while comparable Retail Sales (DIY and Commercial) increased 1.8%.

Earnings

Net earnings for the first quarter of fiscal 2010 increased to \$12.0 million (\$0.23 per share) from \$10.9 million (\$0.21 per share) recorded in the same period last year. The first quarter 2009 results included, on a pre-tax basis, a \$6.2 million gain resulting from bond repurchases.

Commentary

“For the fifth consecutive period, our quarter-over-quarter profitability has improved,” commented CEO Mike Odell. “And for the first time in many years, we achieved increases in both customer count and sales across all lines of business.”

Mike commented further, “We continue to earn the trust of our customers every day by delivering an experience that is based on speed, expertise, respect and value. We recently launched a new marketing campaign, social media efforts and an improved website to more fully communicate the breadth of automotive services, tires, parts and accessories available at Pep Boys. And, of course, our 18,000 associates stand ready to deliver on our vision to be the automotive solutions provider of choice for the value-oriented customer.”

“We have opened five more Service & Tire Centers, another 14,000-square-foot prototype Supercenter and two more Speed Shops within existing Supercenters since the beginning of the fiscal year,” noted CFO Ray Arthur. “Our growth plan remains on track and we expect to achieve our previously disclosed store opening and return targets.”

Pep Boys has more than 6,000 service bays within over 590 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.

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 first quarter will be broadcast live on Tuesday, June 8 at 8:30 a.m. ET over the Internet at the 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 June 8 on Pep Boys’ website at www.pepboys.com.

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Pep Boys Financial Highlights

<u>Thirteen weeks ended</u>		<u>May 1, 2010</u>		<u>May 2, 2009</u>
Total Revenues	\$	510,033,000	\$	496,488,000
Net Earnings	\$	11,950,000	\$	10,909,000
Basic Earnings Per Share:				
Average Shares		52,526,000		52,333,000
Basic earnings per share:	\$	0.23	\$	0.21
Diluted Earnings Per Share:				
Average Shares		52,933,000		52,376,000
Diluted earnings per share:	\$	0.23	\$	0.21

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

Thirteen weeks ended	May 1, 2010		May 2, 2009	
	Amount	% Sales	Amount	% Sales
Merchandise sales	\$ 409,189	80.2	\$ 398,177	80.2
Service revenue	100,844	19.8	98,311	19.8
Total revenues	510,033	100.0	496,488	100.0
Costs of merchandise sales	283,796	69.4	281,035	70.6
Costs of service revenue	88,642	87.9	85,852	87.3
Total costs of revenues	372,438	73.0	366,887	73.9
Gross profit from merchandise sales	125,393	30.6	117,142	29.4
Gross profit from service revenue	12,202	12.1	12,459	12.7
Total gross profit	137,595	27.0	129,601	26.1
Selling, general and administrative expenses	111,632	21.9	108,053	21.8
Net gain from dispositions of assets	45	-	3	-
Operating profit	26,008	5.1	21,551	4.3
Non-operating income	584	0.1	403	0.1
Interest expense	6,608	1.3	1,936	0.4
Earnings from continuing operations before income taxes	19,984	3.9	20,018	4.0
Income tax expense	7,824	39.2 ⁽¹⁾	8,955	44.7 ⁽¹⁾
Earnings from continuing operations	12,160	2.4	11,063	2.2
Loss from discontinued operations, net of tax	(210)	-	(154)	-
Net earnings	11,950	2.3	10,909	2.2
Retained earnings, beginning of period	374,836		358,670	
Cash dividends	(1,579)		(1,575)	
Shares issued and other	(756)		(122)	
Retained earnings, end of period	\$ 384,451		\$ 367,882	
Basic and diluted earnings per share:				
Earnings from continuing operations	\$ 0.23		\$ 0.21	
Discontinued operations, net of tax	-		-	
Earnings per share	\$ 0.23		\$ 0.21	
Cash dividends per share	\$ 0.03		\$ 0.03	

⁽¹⁾ As a percentage of earnings from continuing operations before income taxes

CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands)

	May 1, 2010	January 30, 2010	May 2, 2009
Assets			
Current assets:			
Cash and cash equivalents	\$ 87,806	\$ 39,326	\$ 21,313
Accounts receivable, less allowance for uncollectible accounts of \$1,752; \$1,488 and \$1,701	20,277	22,983	22,680
Merchandise inventories	561,351	559,118	556,564
Prepaid expenses	24,510	24,784	21,661
Other current assets	58,787	65,428	58,757
Assets held for disposal	2,490	4,438	11,004
Total current assets	755,221	716,077	691,979
Property and equipment - net	699,439	706,450	724,698
Deferred income taxes	57,440	58,171	77,606
Other long-term assets	17,541	18,388	17,477
Total assets	\$ 1,529,641	\$ 1,499,086	\$ 1,511,760
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 218,472	\$ 202,974	\$ 193,894
Trade payable program liability	34,273	34,099	28,464
Accrued expenses	245,242	242,416	244,764
Deferred income taxes	33,082	29,984	38,540
Current maturities of long-term debt	1,079	1,079	1,150
Total current liabilities	532,148	510,552	506,812
Long-term debt less current maturities	305,931	306,201	332,848
Other long-term liabilities	74,250	73,933	70,745
Deferred gain from asset sales	162,328	165,105	167,984
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	293,363	293,810	292,434
Retained earnings	384,451	374,836	367,882
Accumulated other comprehensive loss	(17,223)	(17,691)	(17,823)
Less cost of shares in treasury - 16,088,014 shares, 16,164,074 shares and 14,059,333 shares	274,164	276,217	218,415
Less cost of shares in benefits trust - 2,195,270 shares	-	-	59,264
Total stockholders' equity	454,984	443,295	433,371
Total liabilities and stockholders' equity	\$ 1,529,641	\$ 1,499,086	\$ 1,511,760

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar amounts in thousands)

Thirteen weeks ended	May 1, 2010	May 2, 2009
Cash flows from operating activities:		
Net earnings	\$ 11,950	\$ 10,909
Adjustments to reconcile net earnings to net cash provided by continuing operations:		
Loss from discontinued operations, net of tax	210	154
Depreciation and amortization	18,214	17,373
Amortization of deferred gain from asset sales	(3,148)	(3,049)
Stock compensation expense	737	568
Gain on debt retirement	-	(6,248)
Deferred income taxes	3,552	2,646
Other	(117)	178
Changes in operating assets and liabilities:		
Decrease in accounts receivable, prepaid expenses and other	10,581	14,603
(Increase) decrease in merchandise inventories	(2,233)	8,366
Increase (decrease) in accounts payable	15,498	(18,446)
Increase (decrease) in accrued expenses	3,231	(9,442)
Increase in other long-term liabilities	603	683
Net cash provided by continuing operations	59,078	18,295
Net cash used in discontinued operations	(324)	(318)
Net cash provided by operating activities	58,754	17,977
Cash flows from investing activities:		
Cash paid for property and equipment	(12,511)	(5,718)
Proceeds from dispositions of assets	3,143	10
Other	(144)	-
Net cash used in continuing operations	(9,512)	(5,708)
Net cash provided by discontinued operations	569	1,758
Net cash used in investing activities	(8,943)	(3,950)
Cash flows from financing activities:		
Borrowings under line of credit agreements	1,029	160,498
Payments under line of credit agreements	(1,029)	(158,522)
Borrowings on trade payable program liability	68,342	33,871
Payments on trade payable program liability	(68,168)	(37,337)
Debt payments	(270)	(11,110)
Dividends Paid	(1,579)	(1,575)
Other	344	129
Net cash used in financing activities	(1,331)	(14,046)
Net increase (decrease) in cash and cash equivalents	48,480	(19)
Cash and cash equivalents at beginning of period	39,326	21,332
Cash and cash equivalents at end of period	\$ 87,806	\$ 21,313
Supplemental cash flow information:		
Cash paid for income taxes	\$ 70	\$ 831
Cash paid for interest	\$ 2,616	\$ 3,830
Accrued purchases of property and equipment	\$ 1,302	\$ 599

THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES

COMPUTATION OF BASIC AND DILUTED EARNINGS PER SHARE

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

Thirteen weeks ended		May 1, 2010	May 2, 2009
(a) Earnings from continuing operations		\$ 12,160	\$ 11,063
Loss from discontinued operations, net of tax		(210)	(154)
Net earnings		<u>\$ 11,950</u>	<u>\$ 10,909</u>
(b) Basic average number of common shares outstanding during period		52,526	52,333
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price		407	43
(c) Diluted average number of common shares assumed outstanding during period		52,933	52,376
Basic earnings per share:			
Earnings from continuing operations	(a) / (b)	\$ 0.23	\$ 0.21
Discontinued operations, net of tax		-	-
Basic earnings per share		<u>\$ 0.23</u>	<u>\$ 0.21</u>
Diluted earnings per share:			
Earnings from continuing operations	(a) / (c)	\$ 0.23	\$ 0.21
Discontinued operations, net of tax		-	-
Diluted earnings per share		<u>\$ 0.23</u>	<u>\$ 0.21</u>

THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES

ADDITIONAL INFORMATION

(dollar amounts in thousands)

Thirteen weeks ended	May 1, 2010	May 2, 2009
Capital expenditures	\$ 12,511	\$ 5,718
Depreciation and amortization	\$ 18,214	\$ 17,373
Non-operating income:		
Net rental revenue	\$ 517	\$ 302
Investment income	66	70
Other income	1	31
Total	\$ 584	\$ 403

Comparable sales percentages:

Merchandise	1.7 %	-1.3 %
Service	0.1 %	3.8 %
Total	1.4 %	-0.3 %

Total square feet of retail space (including service centers) 11,710,000 11,520,000

Total store count 590 563

Sales and gross profit by line of business (A):

Retail sales	\$ 269,707	\$ 264,411
Service center Revenue	240,326	232,077
Total revenues	\$ 510,033	\$ 496,488
Gross profit from retail sales	\$ 79,754	\$ 73,555
Gross profit from service center revenue	57,841	56,046
Total gross profit	\$ 137,595	\$ 129,601

Comparable sales percentages (A):

Retail sales	1.8 %	-3.3 %
Service center revenue	0.9 %	3.3 %
Total revenues	1.4 %	-0.3 %

Gross profit percentage by line of business (A):

Gross profit percentage from retail sales	29.6 %	27.8 %
Gross profit percentage from service center revenue	24.1 %	24.1 %
Total gross profit percentage	27.0 %	26.1 %

(A) Retail sales include DIY and commercial sales. Service center revenue includes revenue from labor and installed parts and tires.