



The Pep Boys – Manny, Moe & Jack Update

June 25, 2008

Safe Harbor Statement



This presentation includes “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.

Executive Team



Michael Odell
Interim Chief Executive Officer

Mr. Odell joined Pep Boys in September 2007 after having most recently served as Executive Vice President and General Manager of Sears Retail & Specialty Stores, a \$27 billion division of Sears Holdings Corporation. Mr. Odell joined Sears' finance department in 1994 where he served until he joined Sears' operations team in 1998. There he served in various executive operations positions of increasing seniority, including as Vice President, Stores - Sears Automotive Group.

Raymond Arthur
Executive Vice President – Chief Financial Officer

Mr. Arthur joined Pep Boys in April 2008 as Executive Vice President – Chief Financial Officer after having most recently served as Executive Vice President and Chief Financial Officer of Toys R Us, Inc. Prior to Toys R Us, Inc., he held various positions at General Signal Corporation, American Home Products Corporation and KPMG Peat Marwick.

Scott Webb
Senior Vice President – Merchandising & Marketing

Mr. Webb joined Pep Boys in September 2007 after having most recently served as Vice President, Merchandising and Customer Satisfaction at AutoZone. Mr. Webb joined AutoZone in 1986 where he began his service in field management before transitioning, in 1992, to merchandising and hard parts sourcing.

Brian Zuckerman
General Counsel & Secretary

Mr. Zuckerman was named General Counsel & Secretary in 2003 and is responsible for the Company's legal, corporate governance, communications, internal audit and regulatory functions. He joined Pep Boys in 1999 as a corporate generalist after practicing corporate and securities law at Pepper Hamilton and Klehr Harrison in Philadelphia.

Troy Fee
Senior Vice President – Human Resources

Mr. Fee joined the Company in July 2007 after most recently serving as Senior Vice President of Human Resources Shared Services for TBC Corporation. Mr. Fee has more than 20 years of human resources and operations experience in the tire and automotive service business.

Joseph Cirelli
Senior Vice President – Corporate Development

Mr. Cirelli was named Senior Vice President – Corporate Development in December 2007. Since March 1977, he has served the Company in positions of increasing seniority, including Senior Vice President – Service, Vice President – Real Estate and Development, Vice President – Operations Administration and Vice President – Customer Satisfaction.

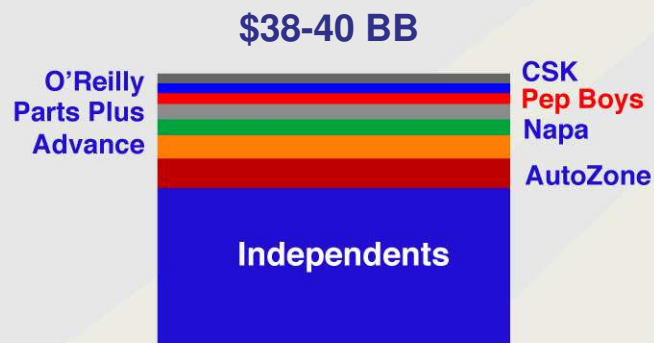


- CEO Jeff Rachor and CFO Harry Yanowitz
No longer with Pep Boys
- No surprises are waiting in the wings
- Business will continue with a renewed focus
- Pep Boys vision remains unchanged
- Previously announced strategy remains intact
 - *Albeit with some different labels*

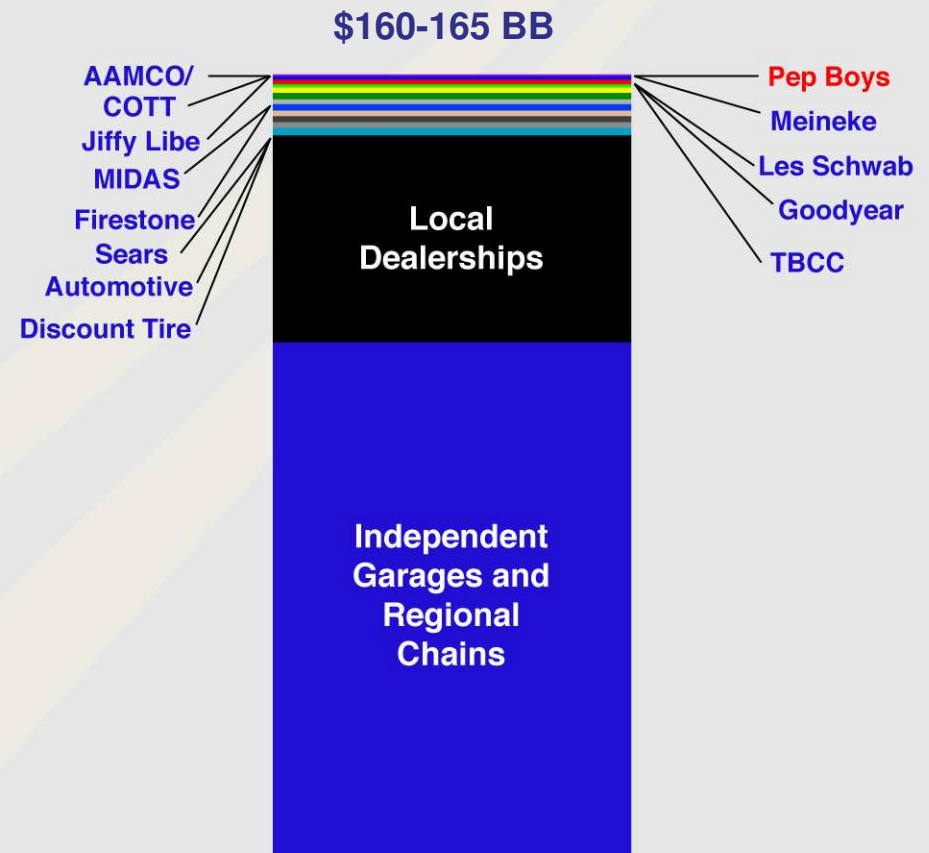
Industry Landscape



- Long term vehicle age and miles driven increasing beyond already record levels
- DIY industry customer count trending down
- Significant growth potential exists in DIFM market growing at 3-4%
- Fragmented competitive environment
- DIFM segment leaders own less than 1.5% of the market



“Do it yourself”



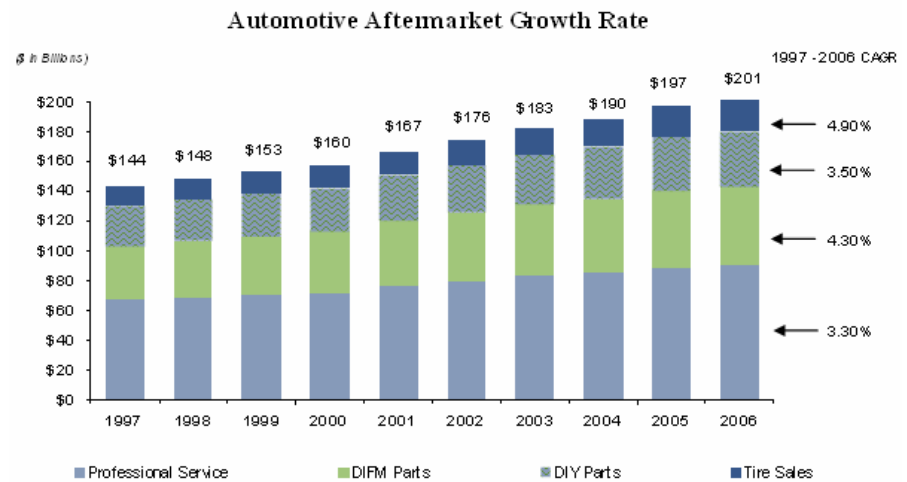
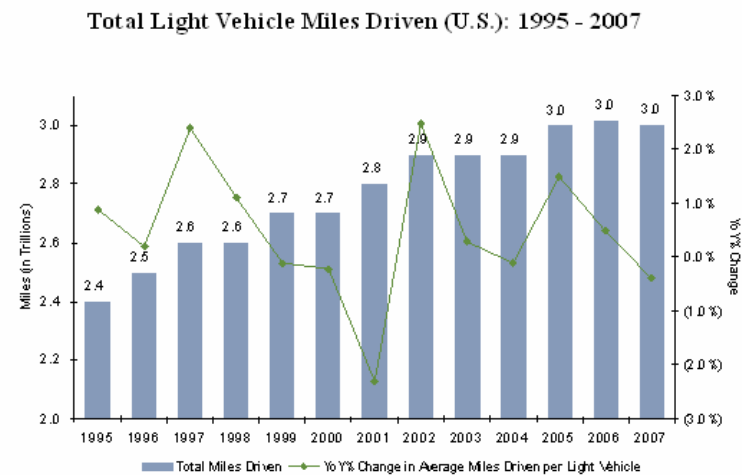
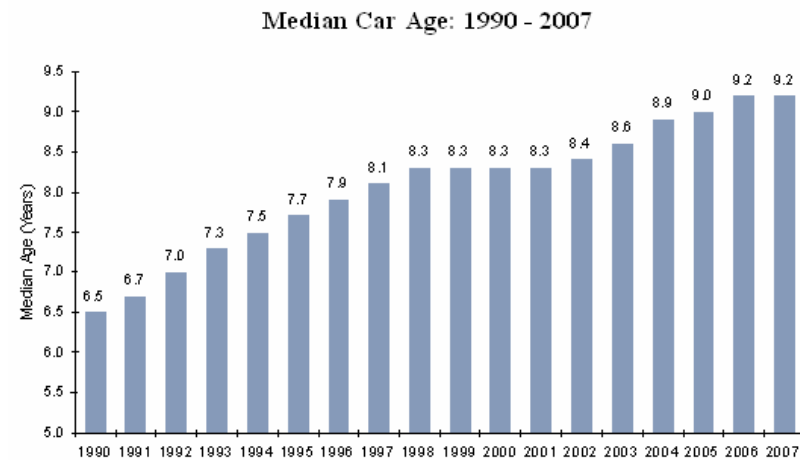
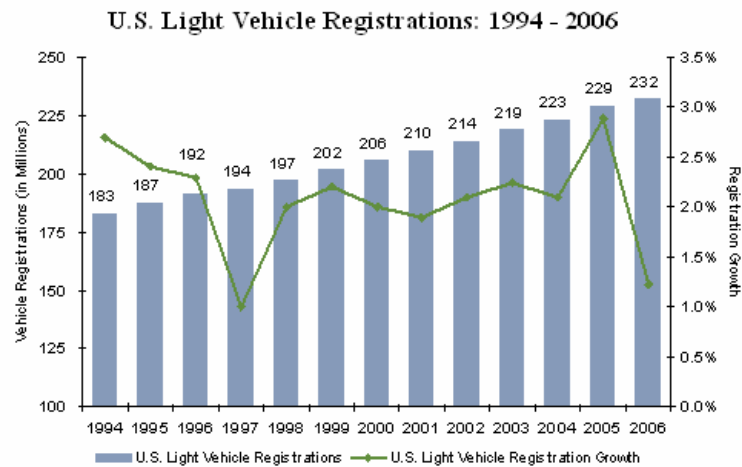
“Do it for me”

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

Pep Boys Positive Long-Term Trends in Automobile Demographics



◆ Increasing vehicle counts, older cars, and more miles driven each year are all favorable long-term trends for the segment



Sources: AAIA, Bureau of Transportation Statistics, Wachovia Securities, R.L. Polk & Co., U.S. Dept of Transportation, Modern Tire Dealer



The automotive solutions provider of choice for the value-oriented customer.



Pep Boys Advantages



Service

Complete Range of Services

ASE Certified Technicians

Value Pricing

Convenience

National Warranty Coverage

Customers First Culture

Retail

Parts Coverage

Certified Parts Experts

Value Pricing

Depth and Breadth of Assortment for Accessories and Personalization

Customers First Culture

Commercial

Parts Coverage

Certified Parts Experts

Value Pricing

Tires and Equipment

Customers First Culture

Leverage advantages thru Strategy



Strategy Announced in 2007

- Lead with DIFM
- Revise core merchandising
- Operational excellence
- Optimize square foot performance
- Rationalize real estate
- Grow the footprint

Same Strategy in 2008 *(Different Labels)*

- Associates → Troy Fee
- Customers → Bill McCall
- Sales → Scott Webb
- Profits → Ray Arthur
- Growth → Joe Cirelli

Executive Owner

Pep Boys Priorities



Associates

Customers

Sales

Profits

Growth

*Inspire &
Develop
Your Team*

*Put
Customers
First*

*Create
Automotive
Superstore*

*Make
Money*

*New
Products,
Services,
Locations*

- ✓ Create Pep Boys Culture
- ✓ Talent Management
- ✓ Targeted Associate Development
- ✓ Performance Based Pay
- ✓ Effective Communications
- ✓ Recognition

Associate Turnover



| | <u>Annualized 2008 YTD</u> | <u>2007</u> | <u>2006</u> |
|--------------------|----------------------------|-------------|-------------|
| Service Management | 32% | 31% | 36% |
| Service Associate | 66% | 72% | 77% |
| Retail Management | 30% | 34% | 28% |
| Retail Associate | 80% | 84% | 90% |



Pep Boys Priorities



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Customers

*Put
Customers
First*

- ✓ **Do It Right**
- ✓ **Fast, Expert
Customer
Service**
- ✓ **Customer
Driven Staffing
& Scheduling**

Sales

*Create
Automotive
Superstore*

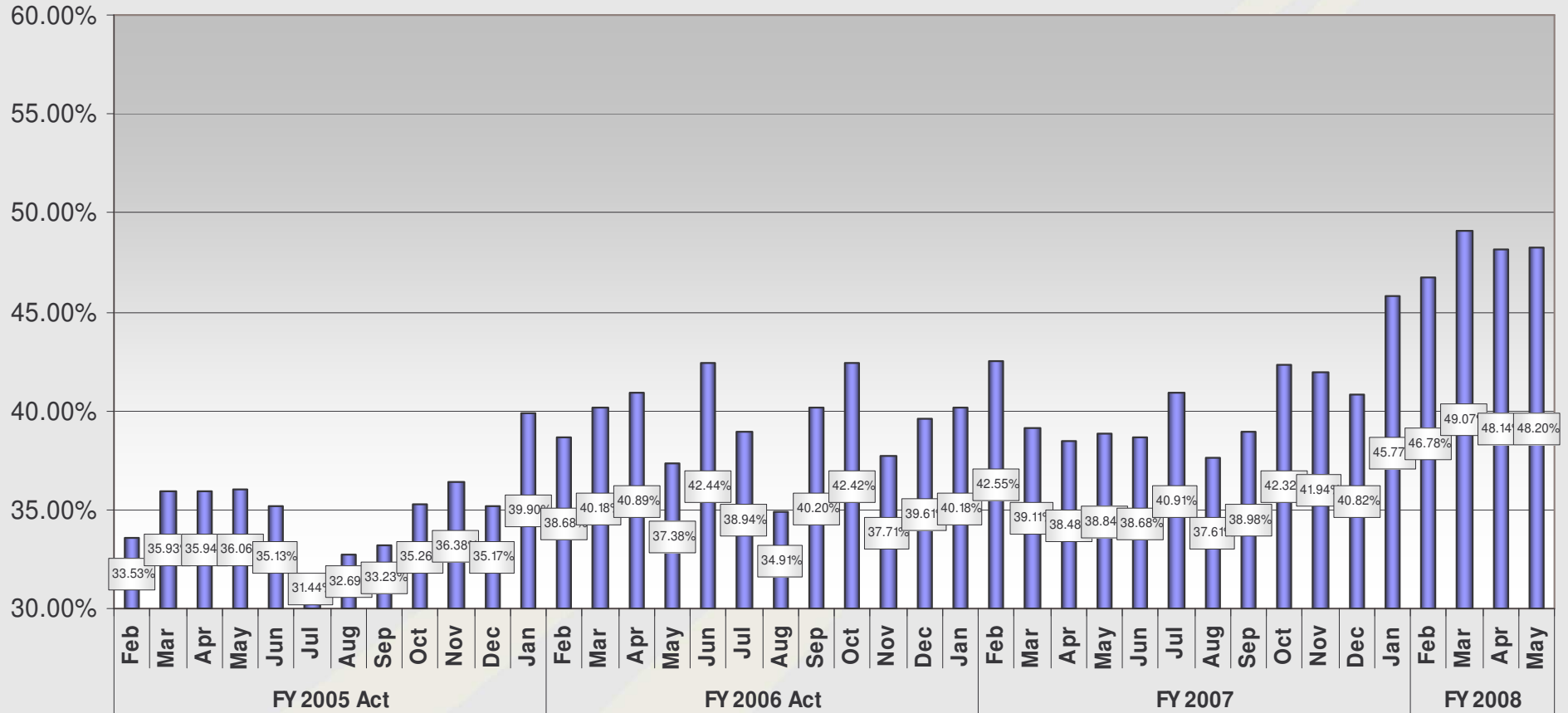
Profits

*Make
Money*

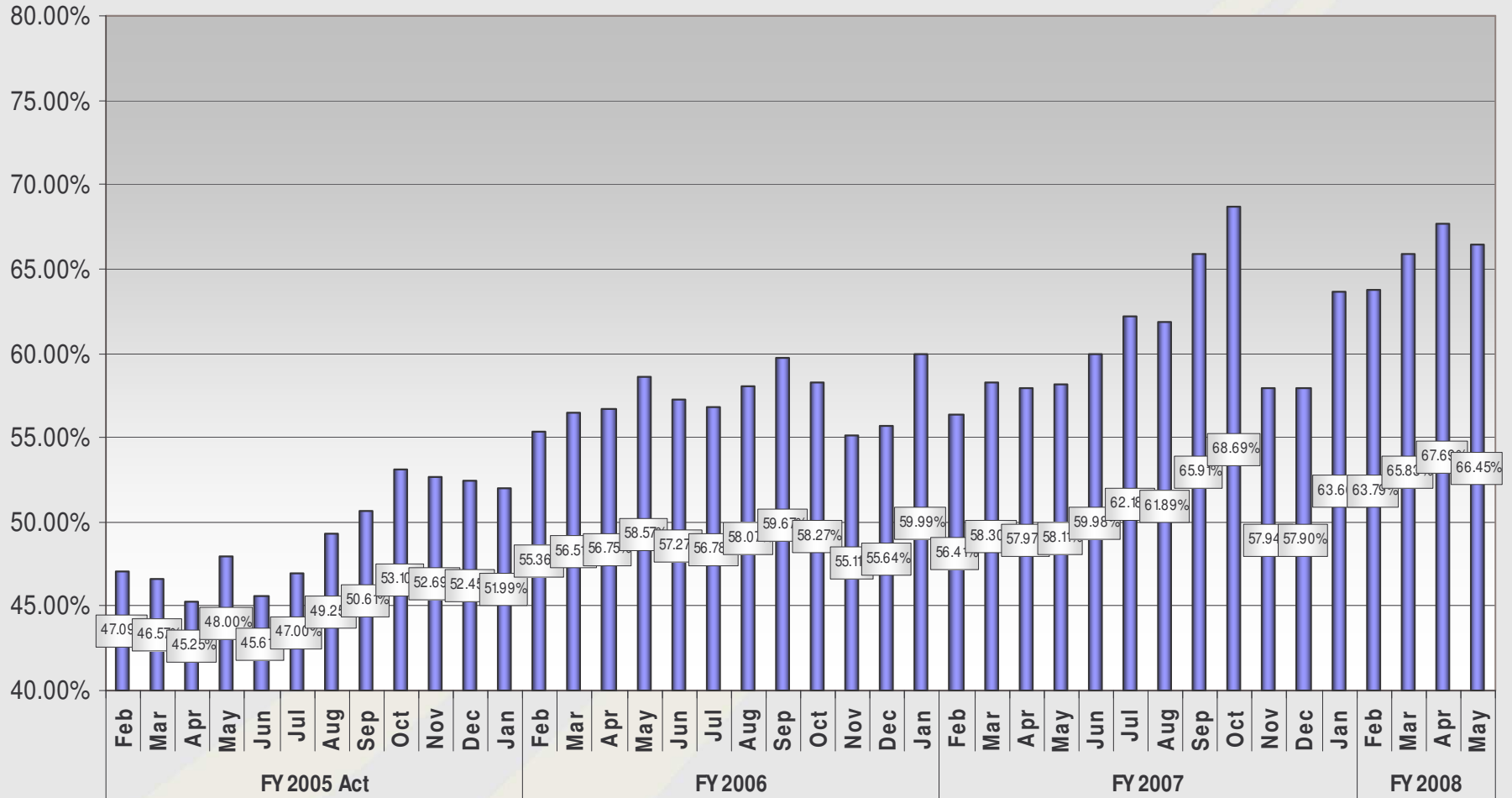
Growth

*New
Products,
Services,
Locations*

Service Net Promoter Scores



Retail Net Promoter Scores



Pep Boys Priorities



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Customers

Put Customers First

- ✓ **Do It Right**
- ✓ **Fast, Expert Customer Service**
- ✓ Customer Driven Staffing & Scheduling

Sales

Create Automotive Superstore

- ✓ Category Management
- ✓ Product Availability
- ✓ Customer Research, Brand Positioning & Targeted Marketing
- ✓ Loyalty Programs
- ✓ Impactful Event Planning

Profits

Make Money

Growth

New Products, Services, Locations



Sales
Scott Webb

Category Management



- DIFM/DIY/COMMERCIAL
 - Category Managers accountable for all LOBs
 - DIFM/COMM leads
- Use Data to make decisions
- Category update calendar
 - Seasonally relevant
 - Updates & Quick Hits
- 4C's approach
 - Customer, Cost, Competition, Category
- Category roles
 - DIY and DIFM are different
 - Resource allocation
 - Drives customer based differentiation
- Service offerings
 - Integrated into Category Management process
- Commercial merchandise
 - Bulk, large sizes





- \$30M of new coverage
- Every major category done in last 12 months!
 - Friction
 - Drum & Rotors
 - Eng. Mgmt.
 - Radiators
 - Gaskets
 - Starters & Alternators
 - Chassis
- First time in Pep Boys history...
- \$7M in new tire coverage
 - Market specific assortments
 - Cleaning up slow selling sizes
- Make room on the sales floor for big displays

Category Management



- Working hard on sales floor...
 - Wash & Wax
 - Best assortment
 - Air & Oil filters
 - 42 new Air Filters
 - 42 new Cabin
 - Towing Headquarters!
 - DIY/DIFM
 - Installs 400% improved
 - Fashion Performance
 - 200 new skus
 - Sport Truck
 - 60 new skus
 - Chemicals
 - Oil
 - Large packs
 - Quart holding power
 - Diesel
- 60% finished with updates





- Categories updated in the quarter resulted in improved sales
 - Hard Parts +8% change in trend
 - Sales Floor +11% change in trend



- Year-over-year share decline exhibited in past quarters has been stabilized and, in some categories, reversed
- Unit share improvement begins late in Q1
 - Filters and appearance lead improvement
 - Oil, suspension and brakes stable or give up one tenth
- Dollar share does not exhibit same trend
 - Leadership categories used to drive incremental traffic (discounting)
 - Customer shift down to value products
- March FY08 Tire units
 - RMA shipments-12%
 - Pep Boys sales -7%
- April FY08 Tire units
 - RMA shipments-10%
 - Pep Boys sales -1%
- May FY08 Tire units
 - RMA shipments-10%
 - Pep Boys sales -1%



Testing SuperHubs in Philadelphia

- Rolled out two SuperHubs
- Potential for 50 total
- 12K new skus
 - Focused on late model coverage
 - Launching pad for sku expansion to chain
 - Different than WD's
 - Customers come here too
 - Daily deliveries to network stores
 - Beating IRR hurdle





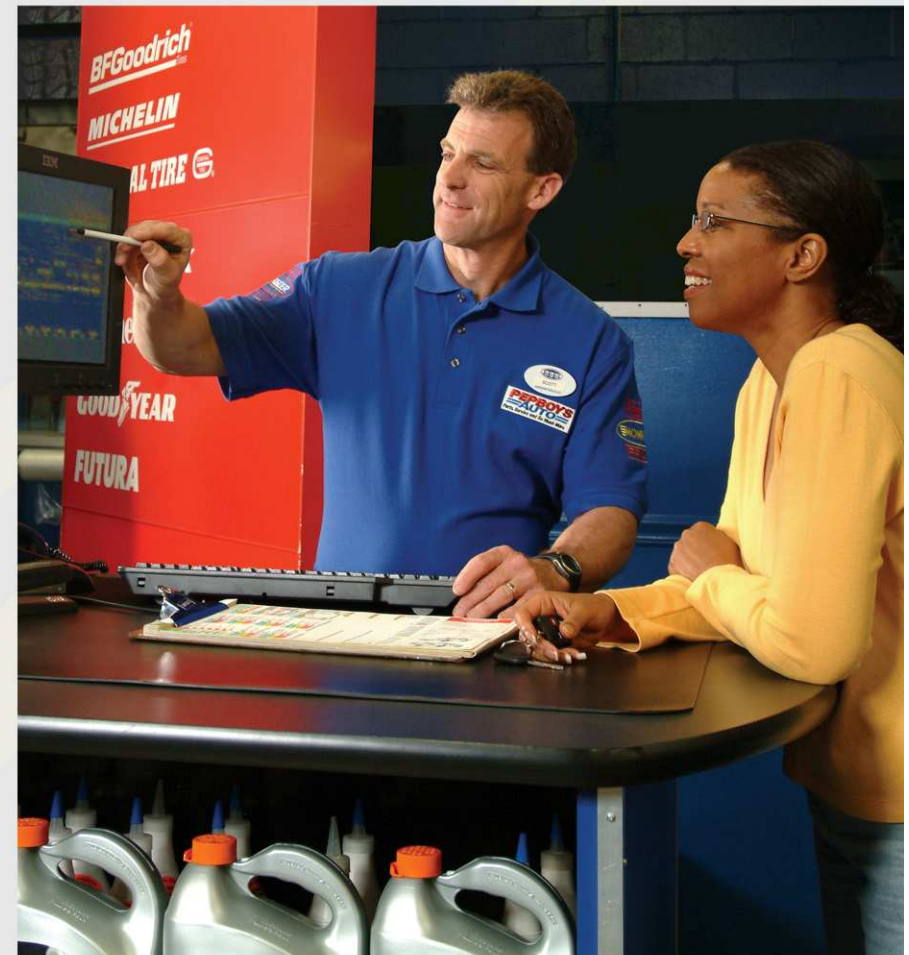
Warehouse Special Order

- Indy DC
- Added 20,000 additional parts skus
- \$2M in additional inventory
- Free overnight delivery coming soon
- Heavy on Eng. Mgmt., Ride Control, Brakes, Starters/Alternators
- Additional launching pad for new items

Strategic Imperatives



- *We will drive an exceptional solution based experience that creates raving fans*
 - Macro trend of trust deficit, proven retail loyalty drivers, research implications support
- *We will be clear that we are a full service provider*
 - Less than 15% of qualified customers know the range of our services, including routine maintenance
- *We will communicate our depth and breadth of assortment*
 - Our retail traffic is 55M, and there is clear opportunity to be the Automotive Superstore
- *We will be clear about who we are*
 - Our aided awareness is greater than 85%, but the attributes of Manny Moe and Jack have been relegated to archival status



Pep Boys Perks



- Drive customer loyalty by offering unbeatable value across DIY/DIFM
 - Reward our highest value customers
 - Encourages others to become high value
 - Rewards redeemable for merchandise and services
 - Priority treatment
 - Red Carpet Service
 - Complimentary services
 - Free flat repair, Towing etc.
- Drives incremental visits with higher spend





Profits
Ray Arthur

Pep Boys Priorities



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Profits

Make Money

- ✓ Costs, Terms & Turns
- ✓ Actionable Reporting
- ✓ Margin Controls
- ✓ Spending Disciplines
- ✓ Financing & Property Sales
- ✓ IT Infrastructure
- ✓ Enterprise Risk Management

Growth

New Products, Services, Locations

Strategy Tactical Update – Cost Control



- Payroll and employee benefit expense control
 - Increased mix of part time / full time employees
 - Rationalized store payroll hours
 - Wage rate controls
 - Redesign of medical benefit plan
- Outsourcing
 - Data center operations
 - Financial operations
- Supply chain efficiency
 - Renegotiated contracts
 - Rationalized delivery frequency
 - Increased backhaul
- Expense control initiatives
 - Renegotiated vendor contracts
 - Implemented spending disciplines
- Store / commercial program rationalization
 - Closed unprofitable stores and commercial parts delivery locations

Strategy Tactical Update

Rationalize Store Base & Focus Real Estate Portfolio



- 31 stores closed (15 owned, 16 leased)
- 1 of the owned stores is under contract for \$1 million in gross proceeds
- 8 of the leased stores have been sublet or we have terminated leases
- 75 owned stores sold and leased back (SLB)
 - \$304.1 million in gross proceeds
 - \$298.4 million in net proceeds (\$231.3 used to pay down debt; 67.1 remaining in cash)
 - \$168.4 million gain generated (deferred & realized)
 - 7.6% average cap rate
 - Accretive to Net Income
- SLB transaction supports estimate of remaining owned property fair market value of over \$900 million (excludes property under synthetic lease)
- \$116 million due on synthetic lease maturity. An additional SLB and cash on hand will be used to fund the obligation.

Pep Boys Priorities



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Growth

New Products, Services, Locations

- ✓ Caroffer.com
- ✓ Car, Truck & Trailer Rentals
- ✓ Commercial Operations
- ✓ Service Spokes



- Caroffer.com → Implemented
- Sublease excess floor space → In Progress
- Hub & Spoke → Continual evaluation of opportunities

Quarter 1 2008 Operating Results - GAAP



CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands)

Thirteen weeks ended

| | May 3, 2008 | | May 5, 2007 | |
|---|-------------|---------------------|-------------|---------|
| | Amount | % Sales | Amount | % Sales |
| Merchandise Sales | \$ 403,334 | 81.0 | \$ 439,794 | 81.5 |
| Service Revenue | 94,709 | 19.0 | 99,789 | 18.5 |
| Total Revenues | 498,043 | 100.0 | 539,583 | 100.0 |
| Gross Profit from Merchandise Sales | 117,411 | 29.1 | 128,264 | 29.2 |
| Gross Profit from Service Revenue | 10,555 | 11.1 | 12,325 | 12.4 |
| Total Gross Profit | 127,966 | 25.7 | 140,589 | 26.1 |
| Selling, General and Administrative Expenses | 119,015 | 23.9 | 127,110 | 23.6 |
| Net Gain from Dispositions of Assets | 5,531 | 1.1 | 2,359 | 0.4 |
| Operating Profit | 14,482 | 2.9 | 15,838 | 2.9 |
| Non-operating Income | 330 | 0.1 | 1,905 | 0.4 |
| Interest Expense | 5,427 | 1.1 | 12,656 | 2.3 |
| Earnings From Continuing Operations Before Income Taxes | 9,385 | 1.9 | 5,087 | 0.9 |
| Income Tax Expense | 4,094 | 43.6 ⁽¹⁾ | 2,036 | 40.0 |
| Net Earnings From Continuing Operations | 5,291 | 1.1 | 3,051 | 0.6 |
| (Loss) Gain from Discontinued Operations, Net of Tax | (619) | (0.1) | 124 | - |
| Net Earnings | 4,672 | 0.9 | 3,175 | 0.6 |
| Comparable sales percentages: | | | | |
| Merchandise | | -6.2 % | -3.1 % | |
| Service | | -2.9 % | 1.5 % | |
| Total | | -5.6 % | -2.3 % | |

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

Quarter 1 2008 Sales and LOB Results



Thirteen weeks ended

May 3, 2008

May 5, 2007

Sales and Gross Profit by Line of Business (A):

| | | |
|--|-------------------|-------------------|
| Retail Sales | \$ 273,325 | \$ 311,119 |
| Service Center Revenue | 224,718 | 228,464 |
| Total Revenues | <u>\$ 498,043</u> | <u>\$ 539,583</u> |
| Gross Profit from Retail Sales | \$ 73,404 | \$ 88,766 |
| Gross Profit from Service Center Revenue | 54,562 | 51,823 |
| Total Gross Profit | <u>\$ 127,966</u> | <u>\$ 140,589</u> |

Comparable Sales Percentages (A):

| | | |
|------------------------|---------|--------|
| Retail Sales | -10.2 % | -4.6 % |
| Service Center Revenue | 0.6 % | 1.0 % |
| Total Revenues | -5.6 % | -2.3 % |

Gross Profit Percentage by Line of Business (A):

| | | |
|---|--------|--------|
| Gross Profit Percentage from Retail Sales | 26.9 % | 28.5 % |
| Gross Profit Percentage from Service Center Revenue | 24.3 % | 22.7 % |
| Total Gross Profit Percentage | 25.7 % | 26.1 % |

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

Quarter 1 2008 Balance Sheet



CONSOLIDATED BALANCE SHEETS

(dollar amounts in thousands, except per share amounts)

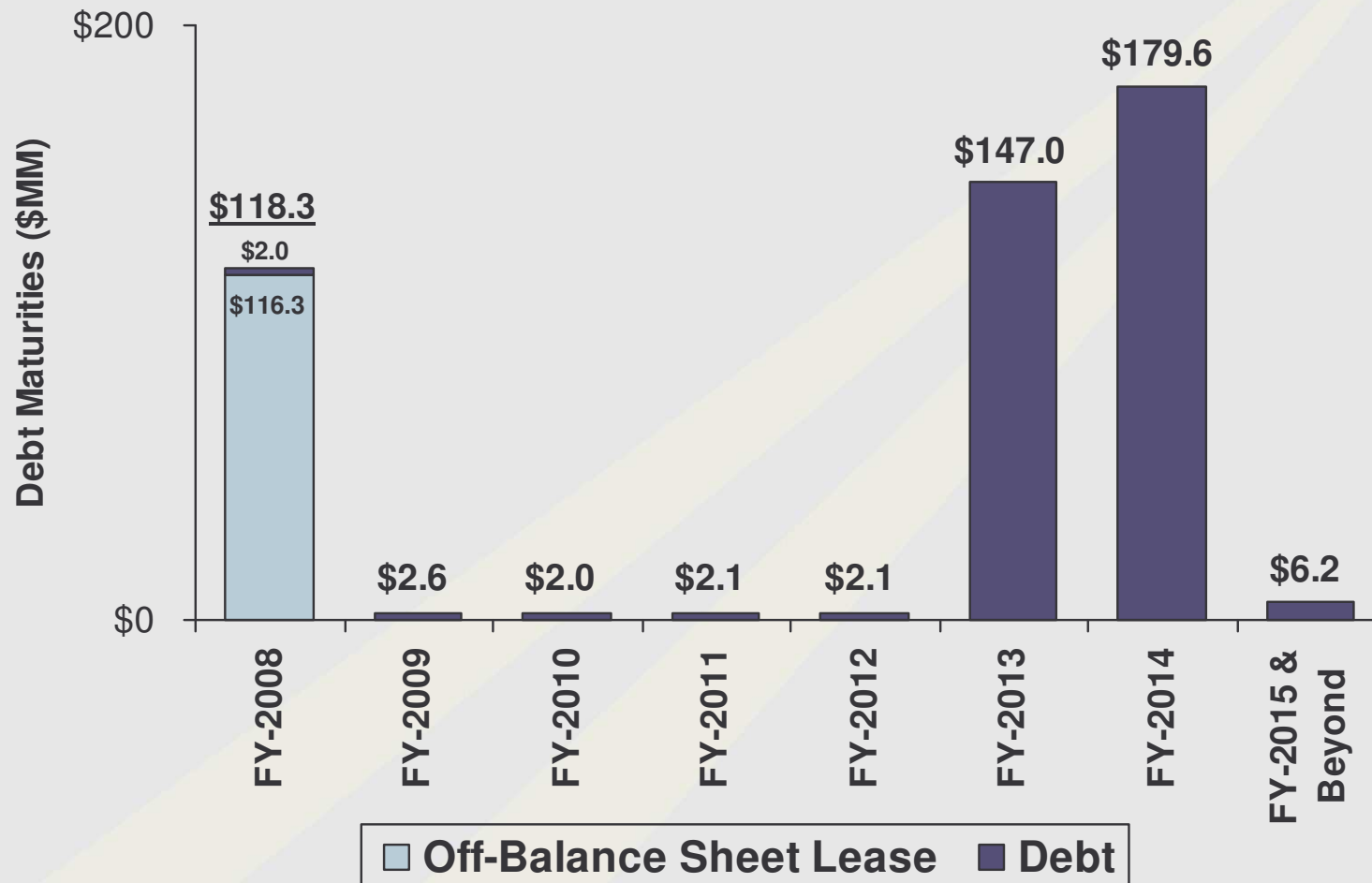
| | May 3, 2008 | February 2, 2008 | May 5, 2007 |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 87,277 | \$ 20,926 | \$ 30,781 |
| Merchandise inventories | 561,439 | 561,152 | 618,814 |
| Assets held for disposal | 16,592 | 16,918 | - |
| All Other Current Assets | 135,738 | 150,761 | 133,548 |
| Total Current Assets | 801,046 | 749,757 | 783,143 |
| Total Property and Equipment - Net | 705,557 | 780,779 | 895,828 |
| All Other | 58,088 | 53,384 | 89,321 |
| Total Assets | \$ 1,564,691 | \$ 1,583,920 | \$ 1,768,292 |
| Liabilities and Stockholders' Equity | | | |
| Current Liabilities: | | | |
| Accounts & Trade payables | \$ 249,205 | \$ 259,677 | \$ 246,918 |
| Current maturities of long-term debt and obligations | 2,278 | 2,114 | - |
| All Other Current Liabilities | 282,322 | 292,623 | 306,335 |
| Total Current Liabilities | 533,805 | 554,414 | 556,727 |
| Long-term debt and obligations under capital leases, less current maturities | 341,317 | 400,016 | 623,761 |
| Other long-term liabilities | 70,032 | 72,183 | 66,339 |
| Deferred gain from asset sales | 146,062 | 86,595 | - |
| Total Stockholders' Equity | 473,475 | 470,712 | 521,465 |
| Total Liabilities and Stockholders' Equity | \$ 1,564,691 | \$ 1,583,920 | \$ 1,768,292 |

Q1 2008 Cash Flow



| <u>Summary of Cash Flows (\$000's)</u> | <u>Q1-2008</u> | <u>Q1-2007</u> |
|--|----------------|----------------|
| Net Cash Provided by (Used in) Operating Activities | \$ (4,331) | \$ (7,807) |
| Cash Paid for Property & Equipment | (6,942) | (11,525) |
| Proceeds from Disposition of Assets | 132,090 | - |
| All Other Cash Flows from Investing Activities | - | (85) |
| Net Cash Provided by (Used in) Investing Activities | 125,148 | (11,610) |
| Net Debt Increase (Reduction) | (55,652) | 88,714 |
| Dividend Payments & Stock Repurchases | (3,495) | (61,733) |
| All Other Cash Flows from Financing Activities | 4,681 | 1,333 |
| Net Cash Used in (Provided by) Financing Activities | (54,466) | 28,314 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 66,351 | 8,897 |
| Cash & Equivalents (Beginning of Period) | 20,926 | 21,884 |
| Cash & Equivalents (End of Period) | \$ 87,277 | \$ 30,781 |

Debt Maturity Schedule (\$MM)



Note: Off-Balance sheet synthetic lease obligation will be funded with \$40MM in cash, from existing cash balances (\$87MM at the end of Q1), with the balance from a pending sale-leaseback transaction.



The automotive solutions provider of choice for the value-oriented customer.





Questions & Answers