



Pep Boys Reports First Quarter 2009 Results - Net Earnings Up 133% -

PHILADELPHIA – June 8, 2009 – 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 2, 2009.

Sales

Sales for the thirteen weeks ended May 2, 2009 were \$496.5 million, as compared to \$498.0 million for the thirteen weeks ended May 3, 2008. Comparable Sales decreased 0.3%, including a 1.3% comparable merchandise sales decrease and a 3.8% 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. 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 3.3% and comparable Retail Sales (DIY and Commercial) decreased 3.3%. First quarter 2008 sales included \$5.1 million in clearance sales of de-emphasized complementary merchandise.

Earnings

Earnings From Continuing Operations Before Income Taxes increased to \$20.0 million for the first quarter of fiscal 2009 from the \$9.4 million recorded in the same period last year. Net Earnings increased to \$10.9 million (\$0.21 per share - basic and diluted) for the first quarter of fiscal 2009 from the \$4.7 million (\$0.09 per share - basic and diluted) recorded in same period last year. The first quarter 2009 results include a \$6.2 million gain resulting from bond repurchases. The first quarter 2008 results included a \$2.9 million gain resulting from bond repurchases and a \$5.5 million Net Gain from Dispositions of Assets resulting from sale leaseback transactions.

Commentary

“We are pleased with our progress and our first quarter results,” said CEO Mike Odell. “As our turnaround continues, we will build upon this momentum in the second quarter and throughout 2009. Our television and radio promotions continue to drive customer traffic and sales in our core categories and our expense reductions are making us profitable.”

“Our disciplined approach towards category management and spending reduced our Total Cost of Revenue as a percentage of sales by 40 basis points and our SG&A costs by 210 basis points in Q1 2009 vs. Q1 2008,” remarked CFO Ray Arthur. “In the first quarter, we also capitalized on our strong liquidity position by repurchasing almost \$17 million of the Company’s senior subordinated notes for an average purchase price of 63 cents on the dollar.”

Pep Boys has approximately 6,000 service bays within over 560 retail 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 9 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 June 9 on Pep Boys' Web site at www.pepboys.com.

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Pep Boys Financial Highlights

<u>Thirteen weeks ended</u>	<u>May 2, 2009</u>	<u>May 3, 2008</u>
Total Revenues	\$ 496,488,000	\$ 498,043,000
Net Earnings From Continuing Operations	\$ 11,063,000	\$ 5,291,000
Basic Earnings Per Share:		
Average Shares	52,333,000	52,063,000
Net Earnings	\$ 0.21	\$ 0.09
Diluted Earnings Per Share:		
Average Shares	52,376,000	52,170,000
Net Earnings	\$ 0.21	\$ 0.09

CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

Thirteen weeks ended	May 2, 2009		May 3, 2008	
	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 398,177	80.2	\$ 403,334	81.0
Service Revenue	98,311	19.8	94,709	19.0
Total Revenues	496,488	100.0	498,043	100.0
Costs of Merchandise Sales	281,035	70.6	285,923	70.9
Costs of Service Revenue	85,852	87.3	84,154	88.9
Total Costs of Revenues	366,887	73.9	370,077	74.3
Gross Profit from Merchandise Sales	117,142	29.4	117,411	29.1
Gross Profit from Service Revenue	12,459	12.7	10,555	11.1
Total Gross Profit	129,601	26.1	127,966	25.7
Selling, General and Administrative Expenses	108,053	21.8	119,015	23.9
Net Gain from Dispositions of Assets	3	-	5,531	1.1
Operating Profit	21,551	4.3	14,482	2.9
Non-operating Income	403	0.1	330	0.1
Interest Expense	1,936	0.4	5,427	1.1
Earnings From Continuing Operations Before Income Taxes	20,018	4.0	9,385	1.9
Income Tax Expense	8,955	44.7 ⁽¹⁾	4,094	43.6 ⁽¹⁾
Net Earnings From Continuing Operations	11,063	2.2	5,291	1.1
Discontinued Operations, Net of Tax	(154)	-	(619)	(0.1)
Net Earnings	10,909	2.2	4,672	0.9
Retained Earnings, beginning of period	358,670		406,819	
Cumulative effect adjustment for adoption of EITF 06-10, net of tax	-		(1,165)	
Cash Dividends	(1,575)		(3,495)	
Effect of Stock Options	-		(12)	
Dividend Reinvestment Plan	(122)		-	
Retained Earnings, end of period	\$ 367,882		\$ 406,819	
Basic and Diluted Earnings per Share:				
Net Earnings From Continuing Operations	\$ 0.21		\$ 0.10	
Discontinued Operations, Net of Tax	-		(0.01)	
Earnings per Share	\$ 0.21		\$ 0.09	
Cash Dividends per Share	\$ 0.0300		\$ 0.0675	

⁽¹⁾ 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 per share amounts)

	<i>May 2, 2009</i>	<i>January 31, 2009</i>	<i>May 3, 2008</i>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 21,313	\$ 21,332	\$ 87,277
Accounts receivable, less allowance for uncollectible accounts of \$1,701; \$1,912 and \$2,299	22,680	28,831	30,726
Merchandise inventories	556,564	564,931	561,439
Prepaid expenses	21,661	25,390	39,601
Other	58,757	62,421	65,411
Assets held for disposal	11,004	12,653	16,592
Total Current Assets	691,979	715,558	801,046
Property and Equipment - net	724,698	740,331	705,557
Deferred income taxes	77,606	77,708	27,332
Other	17,477	18,792	30,756
Total Assets	\$ 1,511,760	\$ 1,552,389	\$ 1,564,691
Liabilities and Stockholders' Equity			
Current Liabilities:			
Accounts payable	\$ 193,894	\$ 212,340	\$ 230,185
Trade payable program liability	28,464	31,930	19,020
Accrued expenses	244,764	254,754	282,322
Deferred income taxes	38,540	35,848	-
Current maturities of long-term debt and obligations under capital leases	1,150	1,453	2,278
Total Current Liabilities	506,812	536,325	533,805
Long-term debt and obligations under capital leases, less current maturities	332,848	352,382	341,317
Other long-term liabilities	70,745	70,322	70,032
Deferred gain from asset sales	167,984	170,204	146,062
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	292,434	292,728	296,715
Retained earnings	367,882	358,670	406,819
Accumulated other comprehensive loss	(17,823)	(18,075)	(12,486)
Less cost of shares in treasury - 14,059,333 shares, 14,124,021 shares and 14,582,741 shares	218,415	219,460	226,866
Less cost of shares in benefits trust - 2,195,270 shares	59,264	59,264	59,264
Total Stockholders' Equity	433,371	423,156	473,475
Total Liabilities and Stockholders' Equity	\$ 1,511,760	\$ 1,552,389	\$ 1,564,691

CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar amounts in thousands)

Thirteen weeks ended	May 2, 2009	May 3, 2008
Cash Flows from Operating Activities:		
Net Earnings	\$ 10,909	\$ 4,672
Adjustments to reconcile net earnings to net cash provided by continuing operations:		
Discontinued operations	154	619
Depreciation and amortization	17,373	19,019
Amortization of deferred gain from asset sales	(3,049)	(1,825)
Deferred income taxes	2,646	1,437
Stock compensation expense	568	1,322
Gain from debt retirement	(6,248)	(2,883)
Gain from dispositions of assets	(3)	(5,531)
Other	181	1,511
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable, prepaid expenses and other	14,603	7,586
Decrease (increase) in merchandise inventories	8,366	(287)
Decrease in accounts payable	(18,446)	(15,238)
Decrease in accrued expenses	(9,442)	(12,281)
Increase (decrease) in other long-term liabilities	683	(2,394)
Net cash provided by (used in) continuing operations	18,295	(4,273)
Net cash used in discontinued operations	(318)	(58)
Net Cash Provided by (Used in) Operating Activities	17,977	(4,331)
Cash Flows from Investing Activities:		
Cash paid for property and equipment	(5,718)	(6,942)
Proceeds from dispositions of assets	10	132,090
Net cash (used in) provided by continuing operations	(5,708)	125,148
Net cash provided by discontinued operations	1,758	-
Net Cash (Used in) Provided by Investing Activities	(3,950)	125,148
Cash Flows from Financing Activities:		
Borrowings under line of credit agreements	160,498	97,909
Payments under line of credit agreements	(158,522)	(139,332)
Borrowings on trade payable program liability	33,871	27,222
Payments on trade payable program liability	(37,337)	(22,456)
Payment for finance issuance cost	-	(93)
Proceeds from lease financing	-	4,676
Long-term debt and capital lease obligations payments	(11,110)	(18,905)
Dividends paid	(1,575)	(3,495)
Other	129	8
Net Cash Used in Financing Activities	(14,046)	(54,466)
Net (Decrease) Increase in Cash and Cash Equivalents	(19)	66,351
Cash and Cash Equivalents at Beginning of Period	21,332	20,926
Cash and Cash Equivalents at End of Period	\$ 21,313	\$ 87,277
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	\$ 831	\$ -
Cash paid for interest	\$ 3,830	\$ 3,994
Accrued purchases of property and equipment	\$ 599	\$ 3,689

COMPUTATION OF BASIC AND DILUTED EARNINGS PER SHARE

(in thousands, except per share data)

	Thirteen weeks ended	
	May 2, 2009	May 3, 2008
(a)		
Net Earnings From Continuing Operations	\$ 11,063	\$ 5,291
Discontinued Operations, Net of Tax	(154)	(619)
Net Earnings	<u>\$ 10,909</u>	<u>\$ 4,672</u>
(b) Average number of common shares outstanding during period	52,333	52,063
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price	43	107
(c) Average number of common shares assumed outstanding during period	52,376	52,170
Basic Earnings per Share:		
Net Earnings From Continuing Operations	\$ 0.21	\$ 0.10
Discontinued Operations, Net of Tax	-	(0.01)
Basic Earnings per Share	<u>\$ 0.21</u>	<u>\$ 0.09</u>
Diluted Earnings per Share:		
Net Earnings From Continuing Operations	\$ 0.21	\$ 0.10
Discontinued Operations, Net of Tax	-	(0.01)
Diluted Earnings per Share	<u>\$ 0.21</u>	<u>\$ 0.09</u>

ADDITIONAL INFORMATION

(dollar amounts in thousands)

	Thirteen weeks ended	
	May 2, 2009	May 3, 2008
Capital expenditures	\$ 5,103	\$ 8,646
Depreciation and amortization	\$ 17,373	\$ 19,019
Non-operating income:		
Net rental revenue	\$ 302	\$ 173
Investment income	70	167
Other (expense) income	31	(10)
Total	<u>\$ 403</u>	<u>\$ 330</u>
Comparable sales percentages:		
Merchandise	-1.3 %	-6.2 %
Service	3.8 %	-2.9 %
Total	-0.3 %	-5.6 %
Total square feet of retail space (including service centers)	11,520,000	11,514,000
Total Store Count	563	562
Sales and Gross Profit by Line of Business (A):		
Retail Sales	\$ 264,411	\$ 273,325
Service Center Revenue	232,077	224,718
Total Revenues	<u>\$ 496,488</u>	<u>\$ 498,043</u>
Gross Profit from Retail Sales	\$ 73,555	\$ 73,404
Gross Profit from Service Center Revenue	56,046	54,562
Total Gross Profit	<u>\$ 129,601</u>	<u>\$ 127,966</u>
Comparable Sales Percentages (A):		
Retail Sales	-3.3 %	-10.2 %
Service Center Revenue	3.3 %	0.6 %
Total Revenues	-0.3 %	-5.6 %
Gross Profit Percentage by Line of Business (A):		
Gross Profit Percentage from Retail Sales	27.8 %	26.9 %
Gross Profit Percentage from Service Center Revenue	24.1 %	24.3 %
Total Gross Profit Percentage	<u>26.1 %</u>	<u>25.7 %</u>

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