



**FOR IMMEDIATE RELEASE**

## **Pep Boys Reports Q3 Results**

PHILADELPHIA – December 8, 2008 – The Pep Boys – Manny, Moe & Jack (NYSE: "PBYY"), the nation's leading automotive aftermarket retail and service chain, today announced the following results for the thirteen (third quarter) and thirty-nine weeks (nine months) ended November 1, 2008.

### ***Operating Results***

#### **Third Quarter**

##### **Sales**

Sales were \$464.2 million as compared to \$528.8 million in 2007. Comparable sales decreased 10.4%, including a 10.3% comparable merchandise sales decrease and an 11.0% comparable service revenue decrease. 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) decreased 8.2%, while comparable Retail Sales (DIY and Commercial) decreased 12.1%.

##### **Net Loss**

Net Loss was \$7.3 million or (\$0.14) per share (basic and diluted) as compared to a loss of \$28.0 million or (\$0.54) per share (basic and diluted) in 2007. Net Loss for the third quarter of 2007 included \$50.0 million in pre-tax costs for an inventory write down, asset impairment and increased legal reserves.

#### **Nine Months**

##### **Sales**

Sales were \$1,462.3 million as compared to \$1,620.4 million in 2007. Comparable sales decreased 7.8%, including an 8.1% comparable merchandise sales decrease and a 6.3% comparable service revenue decrease. 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) decreased 3.2%, while comparable Retail Sales (DIY and Commercial) decreased 11.3%.

##### **Net Earnings**

Net Earnings were \$2.8 million or \$0.05 per share (basic and diluted) as compared to a Net Loss of \$20.6 million or (\$0.40) per share (basic and diluted) in 2007.

## Commentary

“Our sales and operating results have been impacted by the decrease in miles driven and the general reduction in consumer spending. To offset these trends, we continue to focus on implementing our strategic plan, serving our customers well, tightly controlling spending and promoting the fact that **“Pep Boys Does Everything. For Less.”** said CEO Mike Odell. “Pep Boys is the place to go for great prices on tires, oil changes and automotive maintenance and repairs – whether the customer is a Do It Yourselfer or wants our ASE-certified technicians to do it for them. With many dealerships and smaller shops currently closing, now is the time for the cost-conscious consumer to discover the value at Pep Boys.”

“Our liquidity position remains strong,” commented CFO Ray Arthur. “As of the end of Q3, we had \$38.4 million cash on hand, an undrawn revolving credit facility and no significant debt maturities due until 2013. A year in advance of the December 9, 2009 maturity of our current revolving credit facility, we have secured commitments from a syndicate led by Bank of America for a \$300 million replacement facility. This facility is expected to close, subject to the satisfaction of customary closing conditions, before our fiscal year ends on January 31, 2009.”

Pep Boys has over 560 retail stores and approximately 6,000 service bays 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 9 at 8:30 a.m. ET over the Internet at the Investor Calendar 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 9 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>November 1, 2008</u></b>		<b><u>November 3, 2007</u></b>	
Total Revenues	\$	464,166,000	\$	528,761,000
Net Loss	\$	( 7,282,000 )	\$	( 27,990,000 )
Basic Earnings Per Share:				
Average Shares		52,099,000		51,844,000
Net Loss	\$	( 0.14 )	\$	( 0.54 )
Diluted Earnings Per Share:				
Average Shares		52,099,000		51,844,000
Net Loss	\$	( 0.14 )	\$	( 0.54 )

<b><u>Thirty-nine weeks ended</u></b>	<b><u>November 1, 2008</u></b>		<b><u>November 3, 2007</u></b>	
Total Revenues	\$	1,462,252,000	\$	1,620,436,000
Net Earnings (loss)	\$	2,838,000	\$	( 20,636,000 )
Basic Earnings Per Share:				
Average Shares		52,106,000		52,206,000
Net Earnings (loss)	\$	0.05	\$	( 0.40 )
Diluted Earnings Per Share:				
Average Shares		52,189,000		52,206,000
Net Earnings (loss)	\$	0.05	\$	( 0.40 )

## CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

	Thirteen weeks ended				Thirty-nine weeks ended			
	November 1, 2008		November 3, 2007		November 1, 2008		November 3, 2007	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 378,461	81.5	\$ 430,368	81.4	\$ 1,189,872	81.4	1,323,161	81.7
Service Revenue	85,705	18.5	98,393	18.6	272,380	18.6	297,275	18.3
<b>Total Revenues</b>	<b>464,166</b>	<b>100.0</b>	<b>528,761</b>	<b>100.0</b>	<b>1,462,252</b>	<b>100.0</b>	<b>1,620,436</b>	<b>100.0</b>
Costs of Merchandise Sales	268,235	70.9	343,933	79.9	838,574	70.5	971,358	73.4
Costs of Service Revenue	81,087	94.6	86,902	88.3	250,434	91.9	261,847	88.1
<b>Total Costs of Revenues</b>	<b>349,322</b>	<b>75.3</b>	<b>430,835</b>	<b>81.5</b>	<b>1,089,008</b>	<b>74.5</b>	<b>1,233,205</b>	<b>76.1</b>
Gross Profit from Merchandise Sales	110,226	29.1	86,435	20.1	351,298	29.5	351,803	26.6
Gross Profit from Service Revenue	4,618	5.4	11,491	11.7	21,946	8.1	35,428	11.9
<b>Total Gross Profit</b>	<b>114,844</b>	<b>24.7</b>	<b>97,926</b>	<b>18.5</b>	<b>373,244</b>	<b>25.5</b>	<b>387,231</b>	<b>23.9</b>
Selling, General and Administrative Expenses	119,827	25.8	133,550	25.3	361,445	24.7	392,501	24.2
Net (Loss) Gain from Dispositions of Assets	(53)	-	(515)	(0.1)	9,555	0.7	1,829	0.1
Operating (Loss) Profit	(5,036)	(1.1)	(36,139)	(6.8)	21,354	1.5	(3,441)	(0.2)
Non-operating Income	305	0.1	1,032	0.2	1,797	0.1	4,703	0.3
Interest Expense	7,098	1.5	11,501	2.2	18,977	1.3	36,488	2.3
(Loss) Earnings From Continuing Operations Before Income Taxes	(11,829)	(2.5)	(46,608)	(8.8)	4,174	0.3	(35,226)	(2.2)
Income Tax (Benefit) Expense	(4,775)	40.4 <sup>(1)</sup>	(20,677)	44.4 <sup>(1)</sup>	185	4.4 <sup>(1)</sup>	(16,293)	46.3 <sup>(1)</sup>
Net (Loss) Earnings From Continuing Operations	(7,054)	(1.5)	(25,931)	(4.9)	3,989	0.3	(18,933)	(1.2)
Discontinued Operations, Net of Tax	(228)	-	(2,059)	(0.4)	(1,151)	(0.1)	(1,703)	(0.1)
Net (Loss) Earnings	(7,282)	(1.6)	(27,990)	(5.3)	2,838	0.2	(20,636)	(1.3)
Retained Earnings, beginning of period	408,351		462,615		406,819		463,797	
Cumulative effect adjustment for adoption of EITF 06-10, net of tax	-		-		(1,165)		-	
Cumulative effect adjustment for adoption of FIN 48	-		-		-		(155)	
Cash Dividends	(3,523)		(3,510)		(10,551)		(10,630)	
Effect of Stock Options	-		-		(37)		(1,261)	
Dividend Reinvestment Plan	(849)		(27)		(1,207)		(27)	
<b>Retained Earnings, end of period</b>	<b>\$ 396,697</b>		<b>\$ 431,088</b>		<b>\$ 396,697</b>		<b>\$ 431,088</b>	
<b>Basic and Diluted (Loss) Earnings per Share:</b>								
Net (Loss) Earnings From Continuing Operations	\$ (0.13)		\$ (0.49)		\$ 0.08		\$ (0.36)	
Discontinued Operations, Net of Tax	(0.01)		(0.05)		(0.03)		(0.04)	
<b>(Loss) Earnings per Share</b>	<b>\$ (0.14)</b>		<b>\$ (0.54)</b>		<b>\$ 0.05</b>		<b>\$ (0.40)</b>	
Cash Dividends per Share	\$ 0.0675		\$ 0.0675		\$ 0.2025		\$ 0.2025	

<sup>(1)</sup> As a percentage of earnings from continuing operations before income taxes

## CONSOLIDATED BALANCE SHEETS

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

November 1, 2008      February 2, 2008      November 3, 2007

**Assets**

## Current Assets:

Cash and cash equivalents	\$	38,371	\$	20,926	\$	26,200
Accounts receivable, less allowance for uncollectible accounts of \$2,109; \$1,937; and \$1,562		25,838		29,450		28,325
Merchandise inventories		584,700		561,152		589,916
Prepaid expenses		30,133		43,842		27,894
Other		43,774		77,469		65,751
Assets held for disposal		18,222		16,918		-
<b>Total Current Assets</b>		<b>741,038</b>		<b>749,757</b>		<b>738,086</b>

Property and Equipment - net 747,921 780,779 862,760

Deferred income taxes 50,315 20,775 28,669

Other 28,669 32,609 23,472

<b>Total Assets</b>	\$	<b>1,567,943</b>	\$	<b>1,583,920</b>	\$	<b>1,652,987</b>
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**Liabilities and Stockholders' Equity**

## Current Liabilities:

Accounts payable	\$	221,863	\$	245,423	\$	226,535
Trade payable program liability		38,316		14,254		21,596
Accrued expenses		256,620		292,623		276,429
Deferred income taxes		15,013		-		-
Current maturities of long-term debt and obligations under capital leases		2,060		2,114		3,445
<b>Total Current Liabilities</b>		<b>533,872</b>		<b>554,414</b>		<b>528,005</b>

## Long-term debt and obligations under capital leases,

less current maturities 330,535 400,016 549,751

Other long-term liabilities 64,487 72,183 78,930

Deferred gain from asset sales 173,184 86,595 -

## 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		292,585		296,074		294,911
Retained earnings		396,697		406,819		431,088
Accumulated other comprehensive loss		(11,470)		(14,183)		(11,299)
Less cost of shares in treasury - 14,234,313 shares, 14,609,094 shares and 14,633,938 shares		221,240		227,291		227,692
Less cost of shares in benefits trust - 2,195,270 shares		59,264		59,264		59,264
<b>Total Stockholders' Equity</b>		<b>465,865</b>		<b>470,712</b>		<b>496,301</b>
<b>Total Liabilities and Stockholders' Equity</b>	\$	<b>1,567,943</b>	\$	<b>1,583,920</b>	\$	<b>1,652,987</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

*(dollar amounts in thousands)*

Thirty-nine weeks ended	November 1, 2008	November 3, 2007
<b>Cash Flows from Operating Activities:</b>		
Net Earnings (Loss)	\$ 2,838	\$ (20,636)
Adjustments to reconcile net earnings (loss) to net cash (used in) provided by continuing operations:		
Discontinued operations	1,151	1,703
Depreciation and amortization	55,109	61,724
Inventory impairment		32,803
Amortization of deferred gain from asset sales	(7,305)	-
Accretion of asset retirement obligation	206	191
Stock compensation expense	2,314	8,529
Gain from debt retirement	(3,460)	-
Deferred income taxes	(3,603)	(11,812)
Gain from dispositions of assets	(9,555)	(1,829)
Change in fair value of derivative	140	3,665
Loss from asset impairment	370	7,199
Excess tax benefits from stock based awards	(3)	(687)
Change in cash surrender value of life insurance policies	98	(5,423)
Changes in Operating Assets and Liabilities:		
Decrease in accounts receivable, prepaid expenses and other	39,759	32,004
Increase in merchandise inventories	(23,548)	(15,677)
Decrease in accounts payable	(23,560)	(38,954)
Decrease in accrued expenses	(37,077)	(5,911)
(Decrease) increase in other long-term liabilities	(3,818)	682
Net cash (used in) provided by continuing operations	(9,944)	47,571
Net cash (used in) provided by discontinued operations	(880)	2,752
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(10,824)</b>	<b>50,323</b>
<b>Cash Flows from Investing Activities:</b>		
Cash paid for master lease properties	(117,121)	-
Cash paid for property and equipment	(22,653)	(33,074)
Proceeds from dispositions of assets	209,085	2,376
Proceeds from surrender of life insurance policies	-	26,714
Net cash provided by (used in) continuing operations	69,311	(3,984)
Net cash provided by (used in) discontinued operations	2,558	(432)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>71,869</b>	<b>(4,416)</b>
<b>Cash Flows from Financing Activities:</b>		
Borrowings under line of credit agreements	99,888	436,584
Payments under line of credit agreements	(141,413)	(419,267)
Excess tax benefits from stock based awards	3	687
Borrowings on trade payable program liability	154,886	87,578
Payments on trade payable program liability	(130,824)	(79,972)
Payment for finance issuance cost	(182)	-
Proceeds from lease financing	8,661	-
Reduction of long-term debt	(24,550)	(2,432)
Payments on capital lease obligations	(146)	(210)
Dividends paid	(10,550)	(10,630)
Repurchase of common stock	-	(58,152)
Proceeds from exercise of stock options	23	3,632
Proceeds from dividend reinvestment plan	604	591
Net Cash Used in Financing Activities	(43,600)	(41,591)
Net Increase in Cash and Cash Equivalents	17,445	4,316
Cash and Cash Equivalents at Beginning of Period	20,926	21,884
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 38,371</b>	<b>\$ 26,200</b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for income taxes	\$ 1,070	\$ 214
Cash paid for interest	\$ 17,043	\$ 30,100
Accrued purchases of property and equipment	\$ 1,435	\$ 258

## COMPUTATION OF BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

*(in thousands, except per share amounts)*

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
(a) Net (Loss) Earnings From Continuing Operations	\$ (7,054)	\$ (25,931)	\$ 3,989	\$ (18,933)
Discontinued Operations, Net of Tax	(228)	(2,059)	(1,151)	(1,703)
Net (Loss) Earnings	<u>\$ (7,282)</u>	<u>\$ (27,990)</u>	<u>\$ 2,838</u>	<u>\$ (20,636)</u>
(b) Basic average number of common shares outstanding during period	52,099	51,844	52,106	52,206
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price	-	-	83	-
(c) Diluted average number of common shares assumed outstanding during period	52,099	51,844	52,189	52,206
<b>Basic (Loss) Earnings per Share:</b>				
Net (Loss) Earnings From Continuing Operations (a/b)	\$ (0.13)	\$ (0.49)	\$ 0.08	\$ (0.36)
Discontinued Operations, Net of Tax	(0.01)	(0.05)	(0.03)	(0.04)
Basic (Loss) Earnings per Share	<u>\$ (0.14)</u>	<u>\$ (0.54)</u>	<u>\$ 0.05</u>	<u>\$ (0.40)</u>
<b>Diluted (Loss) Earnings per Share:</b>				
Net (Loss) Earnings From Continuing Operations (a/c)	\$ (0.13)	\$ (0.49)	\$ 0.08	\$ (0.36)
Discontinued Operations, Net of Tax	(0.01)	(0.05)	(0.03)	(0.04)
Diluted (Loss) Earnings per Share	<u>\$ (0.14)</u>	<u>\$ (0.54)</u>	<u>\$ 0.05</u>	<u>\$ (0.40)</u>

## ADDITIONAL INFORMATION

*(dollar amounts in thousands)*

	Thirteen weeks ended		Thirty-nine weeks ended	
	November 1, 2008	November 3, 2007	November 1, 2008	November 3, 2007
Capital expenditures (A)	\$ 8,934	\$ 11,728	\$ 139,224	\$ 30,073
Depreciation and amortization	\$ 18,181	\$ 20,727	\$ 55,109	\$ 62,416
Non-operating income:				
Net rental revenue	\$ 115	\$ 724	\$ 1,069	\$ 1,849
Investment income	178	322	745	2,899
Other (expense) income	12	(14)	(17)	(45)
Total	\$ 305	\$ 1,032	\$ 1,797	\$ 4,703
Comparable sales percentages:				
Merchandise	-10.3 %	-4.1 %	-8.1 %	-4.1 %
Service	-11.0 %	2.6 %	-6.3 %	2.6 %
Total	-10.4 %	-2.9 %	-7.8 %	-2.9 %
Total square feet of retail space (including service centers)			11,514,000	12,142,100
Total Store Count			562	592
Sales and Gross Profit by Line of Business (B):				
Retail Sales	\$ 253,492	\$ 294,232	\$ 802,707	\$ 924,043
Service Center Revenue	210,674	234,529	659,545	696,393
Total Revenues	\$ 464,166	\$ 528,761	\$ 1,462,252	\$ 1,620,436
Gross Profit from Retail Sales	\$ 68,360	\$ 43,867	\$ 220,139	\$ 224,396
Gross Profit from Service Center Revenue	46,484	54,059	153,105	162,835
Total Gross Profit	\$ 114,844	\$ 97,926	\$ 373,244	\$ 387,231
Comparable Sales Percentages (B):				
Retail Sales	-12.1 %	-8.1 %	-11.3 %	-7.3 %
Service Center Revenue	-8.2 %	4.5 %	-3.2 %	3.4 %
Total Revenues	-10.4 %	-2.9 %	-7.8 %	-2.9 %
Gross Profit Percentage by Line of Business (A):				
Gross Profit Percentage from Retail Sales	27.0 %	14.9 %	27.4 %	24.3 %
Gross Profit Percentage from Service Center Revenue	22.1 %	23.1 %	23.2 %	23.4 %
Total Gross Profit Percentage	24.7 %	18.5 %	25.5 %	23.9 %

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

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