



## **Pep Boys Reports Fourth Quarter and Fiscal 2008 Results - - Fiscal 2009 Improved Sales Trends Continue -**

PHILADELPHIA – April 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 (fourth quarter) and fifty-two weeks (fiscal year) ended January 31, 2009 and improved sales trends for the first quarter to date of 2009.

As previously announced, the general pullback in consumer spending during the fourth quarter of 2008 resulted in a weak holiday season and the deferral of tire purchases. However, sales trends have greatly improved from the 10.1% decline the Company experienced in the fourth quarter of fiscal 2008 to flat for the first quarter to date of fiscal 2009.

### **First Quarter to Date of Fiscal 2009 (February 1, 2009 through April 7, 2009)**

In order to enable the Company to conduct investor meetings during the week of April 13, the Company is providing information for the first quarter to date of fiscal 2009 in advance of its customary public reporting schedule in accordance with SEC Regulation FD. The Company assumes no obligation to update this information, nor should investors expect similar “guidance” in future periods.

For the first quarter to date of fiscal 2009, comparable service revenue increased 3.5% and merchandise sales decreased 1.3% versus the same period last year. In accordance with GAAP, service revenue is limited to labor sales and merchandise sales include merchandise sold through both our retail and service center lines of business. Recategorizing Sales into the respective lines of business from which they are generated, comparable Service Center Revenue (labor plus installed merchandise and tires) increased 2.7%, while comparable Retail Sales (DIY and Commercial) decreased 3.0%. Within Retail Sales, core automotive sales were flat and commercial merchandise sales increased by 8.1%, while sales of complementary merchandise decreased by 10.9%. In addition, for the first quarter to date of fiscal 2009, the Company’s gross margin rate has improved, while gross media expense and payroll (as percentage of sales) have declined versus the same period last year.

“We now have two promotional events under our belt demonstrating how our new advertising, coupled with improved store execution, is beginning to pay off,” said CEO Mike Odell. “Our Does Everything. For Less. branding is resonating with our customers and our customer-focused process improvement and training is helping our associates to deliver a more satisfying customer experience.”

## **Fiscal 2008 Operating Results**

### **Fourth Quarter**

#### **Sales**

Sales for the thirteen weeks ended January 31, 2009 were \$465,536,000 as compared to the \$517,639,000 recorded for the thirteen weeks ended February 2, 2008. Comparable service revenue decreased 5.5% and comparable merchandise sales decreased 9.1%. Re-categorizing Sales into lines of business (see above), comparable Service Center Revenue decreased 1.9% and comparable Retail Sales (DIY and Commercial) decreased 13.2%.

#### **Net Loss**

Our Net Loss increased to \$33,267,000 ((\$0.63) per share - basic and diluted) for the fourth quarter of fiscal 2008 from the \$20,403,000 ((\$0.39) per share - basic and diluted) recorded in same period last year. The fourth quarter 2008 results included \$8.0 million in increased legal and inventory-related accruals, \$4.4 million of asset impairments, \$1.2 million in debt pre-payment costs, \$0.6 million in costs associated with previously announced cost-cutting initiatives and a reduction of the Company's tax provision benefit by approximately \$7.0 million due to changes in the Company's effective tax rate. The fourth quarter 2007 results included \$8.5 million of margin reductions related to the exiting of non-core merchandise, \$6.2 million in store closure costs and \$6.0 million in debt pre-payment costs.

### **Fiscal Year**

#### **Sales**

Sales for the fiscal year ended January 31, 2009 were \$1,927,788,000 as compared to the \$2,138,075,000 recorded last year. Comparable service revenue decreased 6.2% and comparable merchandise sales decreased 8.4%. Re-categorizing Sales into lines of business (see above), comparable Service Center Revenue decreased 2.9% and Retail Sales decreased 11.8%.

#### **Net Loss**

Our Net Loss improved to \$30,429,000 ((\$0.58) per share – basic and diluted) for fiscal 2008 from the \$41,039,000 ((\$0.79) per share – basic and diluted) recorded for fiscal 2007.

“While our 2008 results were certainly challenging, we were encouraged by the confidence that our lenders expressed in Pep Boys by committing to a new \$300 million credit facility. We are pleased to reinforce that confidence by starting off 2009 with improved results,” said CFO Ray Arthur.

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](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 fourth quarter and year end will be broadcast live on Thursday, April 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 April 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>January 31, 2009</u></b>	<b><u>February 2, 2008</u></b>
Total Revenues	\$ 465,536,000	\$ 517,639,000
Net Loss	\$ (33,267,000 )	\$ (20,403,000 )
Basic Loss Per Share:		
Average Shares	52,223,000	51,903,000
Net Loss	\$ (0.63 )	\$ (0.39 )
Diluted Loss Per Share:		
Average Shares	52,223,000	51,903,000
Net Loss	\$ (0.63 )	\$ (0.39 )

<b><u>Fifty-two weeks ended</u></b>	<b><u>January 31, 2009</u></b>	<b><u>February 2, 2008</u></b>
Total Revenues	\$ 1,927,788,000	\$ 2,138,075,000
Net Loss	\$ (30,429,000 )	\$ (41,039,000 )
Basic Loss Per Share:		
Average Shares	52,136,000	52,130,000
Net Loss	\$ (0.58 )	\$ (0.79 )
Diluted Loss Per Share:		
Average Shares	52,136,000	52,130,000
Net Loss	\$ (0.58 )	\$ (0.79 )

## CONSOLIDATED STATEMENTS OF OPERATIONS

(dollar amounts in thousands, except per share amounts)

	Thirteen weeks ended				Fifty-two weeks ended			
	January 31, 2009		February 2, 2008		January 31, 2009		February 2, 2008	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
Merchandise Sales	\$ 379,792	81.6	\$ 426,417	82.4	\$ 1,569,664	81.4	1,749,578	81.8
Service Revenue	85,744	18.4	91,222	17.6	358,124	18.6	388,497	18.2
Total Revenues	465,536	100.0	517,639	100.0	1,927,788	100.0	2,138,075	100.0
Costs of Merchandise Sales	290,588	76.5	334,594	78.5	1,129,162	71.9	1,305,952	74.6
Costs of Service Revenue	82,760	96.5	84,039	92.1	333,194	93.0	345,886	89.0
Total Costs of Revenues	373,348	80.2	418,633	80.9	1,462,356	75.9	1,651,838	77.3
Gross Profit from Merchandise Sales	89,204	23.5	91,823	21.5	440,502	28.1	443,626	25.4
Gross Profit from Service Revenue	2,984	3.5	7,183	7.9	24,930	7.0	42,611	11.0
Total Gross Profit	92,188	19.8	99,006	19.1	465,432	24.1	486,237	22.7
Selling, General and Administrative Expenses	123,599	26.5	125,872	24.3	485,044	25.2	518,373	24.2
Net Gain from Dispositions of Assets	161	-	13,322	2.6	9,716	0.5	15,151	0.7
Operating Loss	(31,250)	(6.7)	(13,544)	(2.6)	(9,896)	(0.5)	(16,985)	(0.8)
Non-operating Income	170	-	543	0.1	1,967	0.1	5,246	0.2
Interest Expense	8,071	1.7	14,805	2.9	27,048	1.4	51,293	2.4
Loss From Continuing Operations Before Income Taxes	(39,151)	(8.4)	(27,806)	(5.4)	(34,977)	(1.8)	(63,032)	(2.9)
Income Benefit	(6,324)	16.2 <sup>(1)</sup>	(9,301)	33.4 <sup>(1)</sup>	(6,139)	17.6 <sup>(1)</sup>	(25,594)	40.6 <sup>(1)</sup>
Net Loss From Continuing Operations	(32,827)	(7.1)	(18,505)	(3.6)	(28,838)	(1.5)	(37,438)	(1.8)
Discontinued Operations, Net of Tax	(440)	(0.1)	(1,898)	(0.4)	(1,591)	(0.1)	(3,601)	(0.2)
Net Loss	(33,267)	(7.1)	(20,403)	(3.9)	(30,429)	(1.6)	(41,039)	(1.9)
Retained Earnings, beginning of period	396,697		431,088		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)	
Cumulative adjustment for change in measurement date	-		(189)		-		(189)	
Cash Dividends	(3,560)		(3,547)		(14,111)		(14,177)	
Effect of Stock Options	-		(71)		(37)		(1,332)	
Dividend Reinvestment Plan	(1,200)		(59)		(2,407)		(86)	
Retained Earnings, end of period	\$ 358,670		\$ 406,819		\$ 358,670		\$ 406,819	
<b>Basic and Diluted Loss per Share:</b>								
Net Loss From Continuing Operations	\$ (0.63)		\$ (0.36)		\$ (0.55)		\$ (0.72)	
Discontinued Operations, Net of Tax	-		(0.03)		(0.03)		(0.07)	
Loss per Share	\$ (0.63)		\$ (0.39)		\$ (0.58)		\$ (0.79)	
Cash Dividends per Share	\$ 0.0675		\$ 0.0675		\$ 0.2700		\$ 0.2700	

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

**THE PEP BOYS - MANNY, MOE & JACK AND SUBSIDIARIES****(UNAUDITED)****CONSOLIDATED BALANCE SHEETS***(dollar amounts in thousands, except per share amounts)*

	<b>January 31, 2009</b>	<b>February 2, 2008</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 21,332	\$ 20,926
Accounts receivable, less allowance for uncollectible accounts of \$1,912 and \$1,937	28,831	29,450
Merchandise inventories	564,931	561,152
Prepaid expenses	25,390	43,842
Other	62,421	77,469
Assets held for disposal	12,653	16,918
<b>Total Current Assets</b>	<b>715,558</b>	<b>749,757</b>
Property and Equipment - net	740,331	780,779
Deferred income taxes	77,708	20,775
Other	18,792	32,609
<b>Total Assets</b>	<b>\$ 1,552,389</b>	<b>\$ 1,583,920</b>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 212,340	\$ 245,423
Trade payable program liability	31,930	14,254
Accrued expenses	254,754	292,623
Deferred income taxes	35,848	-
Current maturities of long-term debt and obligations under capital leases	1,453	2,114
<b>Total Current Liabilities</b>	<b>536,325</b>	<b>554,414</b>
Long-term debt and obligations under capital leases, less current maturities	352,382	400,016
Other long-term liabilities	70,322	72,183
Deferred gain from asset sales	170,204	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
Additional paid-in capital	292,728	296,074
Retained earnings	358,670	406,819
Accumulated other comprehensive loss	(18,075)	(14,183)
Less cost of shares in treasury - 14,124,021 shares and 14,609,094 shares	219,460	227,291
Less cost of shares in benefits trust - 2,195,270 shares	59,264	59,264
<b>Total Stockholders' Equity</b>	<b>423,156</b>	<b>470,712</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,552,389</b>	<b>\$ 1,583,920</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollar amounts in thousands)

Fifty-two weeks ended	January 31, 2009	February 2, 2008
Cash Flows from Operating Activities:		
Net Loss	\$ (30,429)	\$ (41,039)
Adjustments to reconcile net earnings to net cash provided by continuing operations:		
Discontinued operations	1,591	3,601
Depreciation and amortization	73,207	81,036
Inventory Impairment	-	32,803
Amortization of deferred gain from asset sales	(10,285)	(1,030)
Accretion of asset disposal obligation	263	276
Stock compensation expense	2,743	9,756
Gain from debt retirement	(3,460)	-
Deferred income taxes	(6,258)	(28,187)
Gain from dispositions of assets	(9,716)	(15,151)
Change in fair value of derivative	177	9,268
Loss from asset impairment	3,427	7,199
Excess tax benefits from stock based awards	(3)	(1,104)
Change in cash surrender value of life insurance policies	100	(4,928)
Changes in Operating Assets and Liabilities:		
Decrease (increase) in accounts receivable, prepaid expenses and other	23,904	(1,579)
(Increase) decrease in merchandise inventories	(3,779)	13,087
Decrease in accounts payable	(33,083)	(20,066)
(Decrease) increase in accrued expenses	(34,993)	10,083
Decrease in other long-term liabilities	(11,992)	(3,224)
Net cash (used in) provided by continuing operations	(38,586)	50,801
Net cash (used in) provided by discontinued operations	(921)	1,983
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(39,507)</b>	<b>52,784</b>
Cash Flows from Investing Activities:		
Cash paid for master lease properties	(117,121)	-
Cash paid for property and equipment	(34,762)	(43,116)
Proceeds from dispositions of assets	210,635	162,712
Life insurance proceeds received	15,588	30,045
Net cash provided by continuing operations	74,340	149,641
Net cash provided by (used in) discontinued operations	4,386	(379)
<b>Net Cash Provided by Investing Activities</b>	<b>78,726</b>	<b>149,262</b>
Cash Flows from Financing Activities:		
Borrowings under line of credit agreements	205,162	570,094
Payments under line of credit agreements	(223,345)	(545,617)
Excess tax benefits from stock based awards	3	1,104
Borrowings on trade payable program liability	196,680	142,884
Payments on trade payable program liability	(179,004)	(142,620)
Payment for finance issuance cost	(6,936)	(85)
Proceeds from lease financing	8,661	4,827
Reduction of long-term debt	(26,528)	(165,409)
Payments on capital lease obligations	(270)	(286)
Dividends paid	(14,111)	(14,177)
Repurchase of common stock	-	(58,152)
Proceeds from exercise of stock options	23	3,652
Proceeds from dividend reinvestment plan	852	781
Net Cash Used in Financing Activities	(38,813)	(203,004)
Net Increase (Decrease) in Cash and Cash Equivalents	406	(958)
Cash and Cash Equivalents at Beginning of Period	20,926	21,884
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 21,332</b>	<b>\$ 20,926</b>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	\$ 1,330	\$ 3,147
Cash paid for interest	\$ 23,088	\$ 44,129
Accrued purchases of property and equipment	\$ 1,214	\$ 1,985

## COMPUTATION OF BASIC AND DILUTED LOSS PER SHARE

*(in thousands, except per share data)*

	Thirteen weeks ended		Fifty-two weeks ended	
	January 31, 2009	February 2, 2008	January 31, 2009	February 2, 2008
(a) Net Loss From Continuing Operations	\$ (32,827)	\$ (18,505)	\$ (28,838)	\$ (37,438)
Discontinued Operations, Net of Tax	(440)	(1,898)	(1,591)	(3,601)
Net Loss	<u>\$ (33,267)</u>	<u>\$ (20,403)</u>	<u>\$ (30,429)</u>	<u>\$ (41,039)</u>
(b) Basic average number of common shares outstanding during period	52,223	51,903	52,136	52,130
Common shares assumed issued upon exercise of dilutive stock options, net of assumed repurchase, at the average market price	-	-	-	-
(c) Diluted average number of common shares assumed outstanding during period	52,223	51,903	52,136	52,130
<b>Basic Loss per Share:</b>				
Net Loss From Continuing Operations (a)/(b)	\$ (0.63)	\$ (0.36)	\$ (0.55)	\$ (0.72)
Discontinued Operations, Net of Tax	-	(0.03)	(0.03)	(0.07)
Basic Loss per Share	<u>\$ (0.63)</u>	<u>\$ (0.39)</u>	<u>\$ (0.58)</u>	<u>\$ (0.79)</u>
<b>Diluted Loss per Share:</b>				
Net Loss From Continuing Operations (a)/(c)	\$ (0.63)	\$ (0.36)	\$ (0.55)	\$ (0.72)
Discontinued Operations, Net of Tax	-	(0.03)	(0.03)	(0.07)
Diluted Loss per Share	<u>\$ (0.63)</u>	<u>\$ (0.39)</u>	<u>\$ (0.58)</u>	<u>\$ (0.79)</u>

## ADDITIONAL INFORMATION

*(dollar amounts in thousands)*

	Thirteen weeks ended		Fifty-two weeks ended	
	January 31, 2009	February 2, 2008	January 31, 2009	February 2, 2008
Capital Expenditures (A)	\$ 11,889	\$ 12,423	\$ 151,113	\$ 42,496
Depreciation and Amortization	\$ 18,097	\$ 19,312	\$ 73,207	\$ 81,036
Non-Operating Income:				
Net Rental Revenue	\$ 123	\$ 439	\$ 1,193	\$ 2,288
Investment Income	35	112	780	3,011
Other (Expense) Income	12	(8)	(6)	(53)
Total	\$ 170	\$ 543	\$ 1,967	\$ 5,246

Comparable Sales Percentages:				
Merchandise	-9.1 %	-4.4 %	-8.4 %	-4.2 %
Service	-5.5 %	1.0 %	-6.2 %	1.8 %
Total	-8.5 %	-3.8 %	-8.0 %	-3.1 %

Total Square Feet of Retail Space (Including Service Centers)	11,514,000	11,514,000
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Total Store Count	562	562
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## Sales and Gross Profit by Line of Business (B):

Retail Sales	\$ 255,314	\$ 302,132	\$ 1,058,021	1,226,175
Service Center Revenue	210,222	215,507	869,767	911,900
Total Revenues	\$ 465,536	\$ 517,639	\$ 1,927,788	\$ 2,138,075
Gross Profit from Retail Sales	\$ 53,123	\$ 55,906	\$ 273,262	280,606
Gross Profit from Service Center Revenue	39,065	43,100	192,170	205,631
Total Gross Profit	\$ 92,188	\$ 99,006	\$ 465,432	\$ 486,237

## Comparable Sales Percentages (B):

Retail Sales	-13.2 %	-7.0 %	-11.8 %	-7.2 %
Service Center Revenue	-1.9 %	0.9 %	-2.9 %	2.8 %
Total Revenues	-8.5 %	-3.8 %	-8.0 %	-3.1 %

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

Gross Profit Percentage from Retail Sales	20.8 %	18.5 %	25.8 %	22.9 %
Gross Profit Percentage from Service Center Revenue	18.6 %	20.0 %	22.1 %	22.5 %
Total Gross Profit Percentage	19.8 %	19.1 %	24.1 %	22.7 %

(A) 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.

## ADDITIONAL INFORMATION

*(dollar amounts in thousands)*

	First Quarter-to-Date (A)	
	April 7, 2009	April 8, 2008
Comparable Sales Percentages:		
Merchandise	-1.3 %	-6.0 %
Service	3.5 %	-3.1 %
Total	-0.4 %	-5.5 %

## Comparable Sales Percentages (B):

Retail Sales	-3.0 %	-9.9 %
Service Center Revenue	2.7 %	0.4 %
Total Revenues	-0.4 %	-5.5 %

(A) The first quarter-to-date for the current year covers the period from February 1, 2009 to April 7, 2009 and the first quarter-to-date for the prior year covers the corresponding period from February 3, 2008 to April 8, 2008.

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