

October 14, 2008

**Key Metrics**

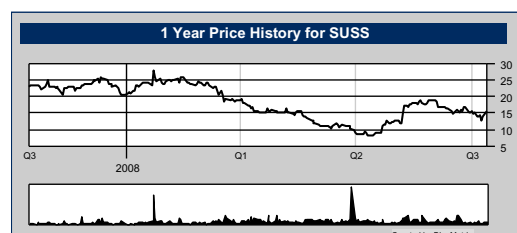
SUSS - NASDAQ	\$13.50
Pricing Date	10/14/2008
Price Target	NA
52-Week Range	\$28.49-\$7.68
Shares Outstanding (mm)	17.0
Market Capitalization (\$mm)	\$229.5
3-Mo Average Daily Volume	64,143
Institutional Ownership	43%
Debt/Total Capital	69.1%
ROE	5.0%
Book Value/Share	\$11.09
Price/Book	1.2x
Dividend Yield	NM
LTM EBITDA Margin	2.11%

**EPS(\$)** FY: December

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	(0.14)	--	(0.20)A	--	(0.15)E
2Q-Jun	0.37	--	0.39A	0.41E	0.39E
3Q-Sep	0.29	0.32E	0.24E	0.35E	0.31E
4Q-Dec	0.06	0.07E	0.02E	0.08E	0.05E
FY	0.57	0.58E	0.46E	0.68E	0.61E
P/E	23.7x		29.3x		22.1x

**Revenue(\$mm)**

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	528.7	--	1,000.7A	1,109.9E	1,094.2E
2Q-Jun	692.8	--	1,230.2A	1,297.4E	1,274.0E
3Q-Sep	674.0	1,167.3E	1,131.2E	1,299.7E	1,260.2E
4Q-Dec	821.9	1,080.5E	1,054.4E	1,143.7E	1,116.2E
FY	2,717.4	4,478.6E	4,416.4E	4,850.6E	4,744.7E



**Company Description:** Susser Holdings Corp is a convenience store operator and motor fuels distributor based in Corpus Christi, Texas. The company's retail arm consists of retail convenience stores (some of which include Laredo Taco Company restaurants), while the wholesale arm is the largest independent motor fuels distributor in Texas. Susser went public and priced its IPO on October 18, 2006.

## Susser Holdings, Corp.

### Rating: Hold

#### Lower Gas Volumes Should Reduce F3Q08 EPS; Merchandise Comps Up; Hold

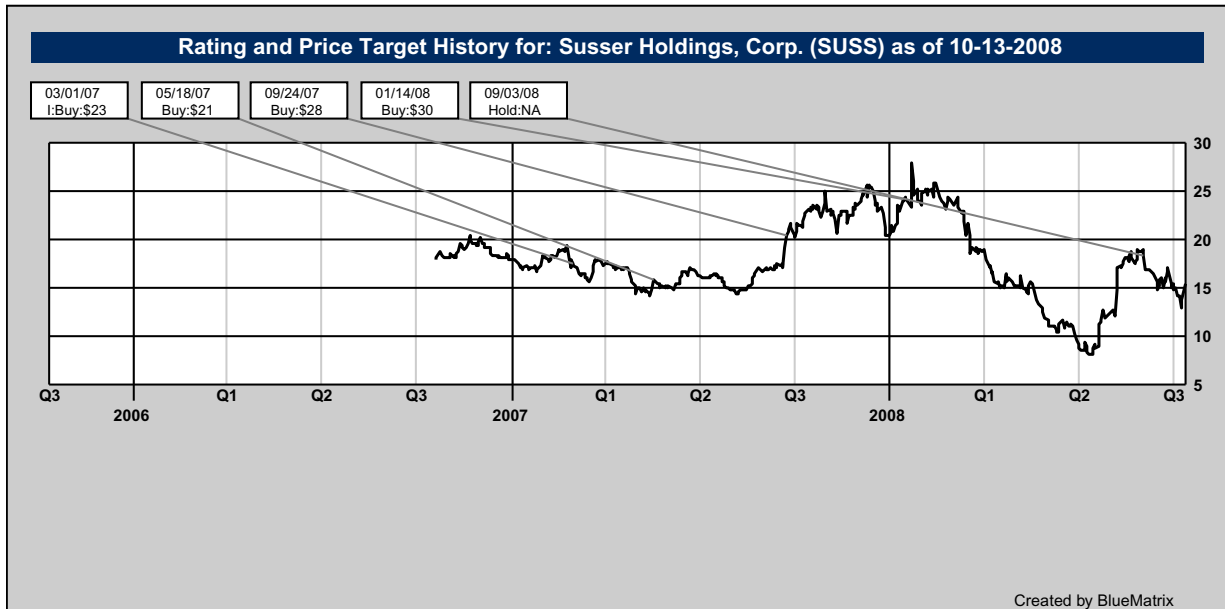
**Investment Highlights:**

- Average retail fuel volume per store (6.2%): driving patterns apparently down.** Susser Holdings announced average retail fuel volumes per store down 2.4% on a reported basis and 6.2% on a pro forma basis, approximately 5% lower than our expectations. The decrease came from rising 1H08 fuel prices that negatively impacted driving patterns. The hurricane apparently had a limited impact on results.
- Same store merchandise sales growth continues, up 6.7%: consumers potentially seeking cheaper alternatives.** Susser's same store merchandise sales continued to increase, up 4.8% on a reported basis and 6.7% on a pro forma basis. While specifics were not released, we expect the growth to come from non-discretionary items such as cigarettes and beer, as well as from consumers trading down to Susser's proprietary Laredo Taco Company and other discount food items due to a weak economic environment.
- Reducing projections to reflect reductions in gasoline usage.** While we believe that Susser's merchandise sales could act as an economic buffer, the overall economic environment could continue to negatively impact driving patterns. While fuel prices have retreated recently, the negative trend in fuel sales, which began in 2Q08, could continue, albeit not likely to the extent of 3Q08, through FY08. With positive gasoline price trends and easier 2009 comps, we are modeling for improved average retail fuel volumes in 2009, but at a slightly slower growth rate. Accordingly, we are lowering our FY08 and FY09 EPS estimates to \$0.46 and \$0.61, respectively.
- Susser plans to report 3Q08 results after the close on November 5th with a conference call to follow on November 6th at 11a.m. ET.** Based on changes to our estimates, we expect 3Q08 EPS of \$0.24 on sales of \$1.3bn. Our retail and wholesale penny profit estimates of \$0.19 and \$0.05, respectively, remain unchanged. We maintain our Hold rating.

**Susser Holdings Corp (SUSS)**  
(In Millions, Except Per Share Data)

Quarter End	FY 2006	Q1 Apr-07	Q2 Jul-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3E Oct-08	Q4E Dec-08	FYE 2008	Q1E Apr-09	Q2E Jul-09	Q3E Oct-09	Q4E Dec-09	FYE 2009
<b>Total Sales</b>	<b>2,265.2</b>	<b>528.7</b>	<b>692.8</b>	<b>674.0</b>	<b>821.9</b>	<b>2,717.4</b>	<b>1000.7</b>	<b>1230.2</b>	<b>1131.2</b>	<b>1054.4</b>	<b>4,416.4</b>	<b>1094.2</b>	<b>1274.0</b>	<b>1260.2</b>	<b>1116.2</b>	<b>4,744.7</b>
% Increase	19.5%	1.0%	6.7%	11.4%	68.6%	20.0%	89.3%	77.6%	67.8%	28.3%	62.5%	9.3%	3.6%	11.4%	5.9%	7.4%
<b>Cost of Goods Sold</b>	<b>2,044.4</b>	<b>476.3</b>	<b>628.2</b>	<b>607.5</b>	<b>744.2</b>	<b>2,456.2</b>	<b>909.2</b>	<b>1117.8</b>	<b>1020.3</b>	<b>951.3</b>	<b>3,998.7</b>	<b>996.1</b>	<b>1153.2</b>	<b>1140.2</b>	<b>1008.2</b>	<b>4,297.7</b>
% increase	20.6%	0.3%	6.6%	12.3%	69.3%	20.1%	90.9%	77.9%	67.9%	27.8%	62.8%	9.6%	3.2%	11.8%	6.0%	7.5%
% sales	90.3%	90.1%	90.7%	90.1%	90.5%	90.4%	90.9%	90.9%	90.2%	90.2%	90.5%	91.0%	90.5%	90.5%	90.3%	90.6%
<b>Gross Profit</b>	<b>220.8</b>	<b>52.4</b>	<b>64.6</b>	<b>66.5</b>	<b>77.7</b>	<b>261.1</b>	<b>91.5</b>	<b>112.3</b>	<b>110.9</b>	<b>103.0</b>	<b>417.8</b>	<b>98.2</b>	<b>120.8</b>	<b>120.0</b>	<b>108.0</b>	<b>447.0</b>
% increase	9.5%	7.6%	8.2%	3.3%	61.6%	18.3%	74.7%	74.0%	66.8%	32.6%	60.0%	7.3%	7.6%	8.2%	4.9%	7.0%
% sales	9.7%	9.9%	9.3%	9.9%	9.5%	9.6%	9.1%	9.1%	9.8%	9.8%	9.5%	9.0%	9.5%	9.5%	9.7%	9.4%
Personnel	<b>69.3</b>	18.3	19.6	19.8	24.7	<b>82.5</b>	30.3	34.5	35.0	34.0	<b>133.8</b>	32.4	36.8	37.5	36.4	<b>143.0</b>
% increase	11.3%	9.2%	11.4%	14.1%	40.9%	19.0%	66.0%	75.7%	76.5%	37.5%	62.3%	7.0%	6.5%	7.0%	7.0%	6.9%
% sales	3.1%	3.5%	2.8%	2.9%	3.0%	3.0%	3.0%	2.8%	3.1%	3.2%	3.0%	3.0%	2.9%	3.0%	3.3%	3.0%
Operating Expense	<b>62.0</b>	14.7	16.8	17.2	20.3	<b>68.9</b>	27.9	30.4	31.0	29.0	<b>118.3</b>	30.6	34.4	34.0	29.0	<b>128.1</b>
% increase	15.6%	-0.4%	1.8%	-0.1%	50.0%	11.3%	90.2%	81.3%	80.5%	42.8%	71.7%	9.6%	13.2%	9.8%	0.1%	8.2%
% sales	2.7%	2.8%	2.4%	2.5%	2.5%	2.5%	2.8%	2.5%	2.7%	2.8%	2.7%	2.8%	2.7%	2.7%	2.6%	2.7%
Rent	<b>22.7</b>	6.0	6.1	6.1	7.6	<b>25.8</b>	8.4	8.7	9.5	10.0	<b>36.6</b>	8.8	10.2	10.5	11.0	<b>40.4</b>
% increase	133.0%	8.2%	10.5%	10.2%	25.2%	13.8%	39.9%	42.1%	54.8%	32.2%	41.7%	4.1%	17.5%	10.5%	10.0%	10.6%
% sales	1.0%	1.1%	0.9%	0.9%	0.9%	1.0%	0.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%	1.0%	0.9%
Royalties	<b>3.6</b>	0.1	0.0	0.0	0.0	<b>0.1</b>	0.0	0.0	0.0	0.0	<b>0.0</b>	0.0	0.0	0.0	0.0	<b>0.0</b>
% sales	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
G&A	<b>19.3</b>	6.2	6.0	7.3	8.4	<b>27.9</b>	9.1	8.0	8.5	9.0	<b>34.6</b>	9.8	8.8	9.3	9.8	<b>37.7</b>
% increase	-47.2%	38.7%	22.2%	42.2%	75.3%	44.5%	45.6%	33.6%	16.7%	7.0%	23.9%	8.7%	9.3%	9.4%	8.9%	9.1%
% sales	0.9%	1.2%	0.9%	1.1%	1.0%	1.0%	0.9%	0.7%	0.8%	0.9%	0.8%	0.9%	0.7%	0.7%	0.9%	0.8%
Loss/(Gain) on Assets Disp.	<b>0.0</b>	0.0	-0.2	0.3	0.1	<b>0.2</b>	0.1	0.1	0.0	0.0	<b>0.2</b>	0.0	0.0	0.0	0.0	<b>0.0</b>
D, A & Accretion	<b>23.6</b>	6.4	7.0	8.0	8.5	<b>29.8</b>	10.7	10.3	10.5	10.5	<b>42.1</b>	11.0	10.7	11.0	11.0	<b>43.7</b>
% increase	-22.0%	12.5%	18.1%	30.6%	43.7%	26.4%	69.0%	48.1%	31.5%	23.9%	41.2%	2.5%	3.4%	4.8%	4.8%	3.8%
% sales	1.0%	1.2%	1.0%	1.2%	1.0%	1.1%	1.1%	0.8%	0.9%	1.0%	1.0%	1.0%	0.8%	0.9%	1.0%	0.9%
<b>Operating Profit</b>	<b>20.4</b>	<b>0.8</b>	<b>9.2</b>	<b>7.8</b>	<b>8.1</b>	<b>25.9</b>	<b>5.0</b>	<b>20.3</b>	<b>16.4</b>	<b>10.5</b>	<b>52.2</b>	<b>5.5</b>	<b>20.0</b>	<b>17.7</b>	<b>10.8</b>	<b>54.0</b>
% increase	n/m	22.3%	8.6%	-34.8%	n/m	27.3%	n/m	119.4%	110.7%	29.5%	101.2%	10.6%	-1.6%	8.0%	2.9%	3.5%
% sales	0.9%	0.1%	1.3%	1.2%	1.0%	1.0%	0.5%	1.6%	1.4%	1.0%	1.2%	0.5%	1.6%	1.4%	1.0%	1.1%
Interest Expense	16.3	3.0	2.9	2.9	6.9	15.8	9.9	9.5	9.5	9.5	38.4	9.0	9.0	9.0	9.0	36.0
Other Income	-0.4	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	0.0	-0.1	-0.1	-0.4	-0.1	-0.1	-0.1	-0.1	-0.4
<b>Pretax Profit</b>	<b>4.5</b>	<b>(2.1)</b>	<b>6.4</b>	<b>5.0</b>	<b>1.3</b>	<b>10.5</b>	<b>(4.7)</b>	<b>10.8</b>	<b>7.0</b>	<b>1.1</b>	<b>14.2</b>	<b>(3.4)</b>	<b>11.1</b>	<b>8.8</b>	<b>1.9</b>	<b>18.4</b>
% increase	n/m	n/m	70.1%	-32.6%	n/m	134.4%	n/m	69.6%	40.2%	-12.6%	35.1%	n/m	2.0%	26.7%	71.9%	29.8%
% sales	0.2%	-0.4%	0.9%	0.7%	0.2%	0.4%	-0.5%	0.9%	0.6%	0.1%	0.3%	-0.3%	0.9%	0.7%	0.2%	0.4%
Taxes(benefit)	-0.9	0.3	0.1	0.1	0.3	0.8	-1.4	4.2	2.9	0.7	6.4	-0.9	4.4	3.6	1.0	8.1
Rate	-20.0%	-12.1%	1.9%	2.5%	26.8%	8.1%	29.2%	38.6%	41.2%	65.9%	45.2%	26.6%	39.5%	40.4%	54.2%	43.9%
<b>Net Income--Oper.</b>	<b>5.4</b>	<b>(2.4)</b>	<b>6.3</b>	<b>4.8</b>	<b>0.9</b>	<b>9.7</b>	<b>(3.4)</b>	<b>6.7</b>	<b>4.1</b>	<b>0.4</b>	<b>7.8</b>	<b>(2.5)</b>	<b>6.7</b>	<b>5.3</b>	<b>0.9</b>	<b>10.3</b>
% increase	n/m	n/m	66.9%	-34.2%	n/m	79.6%	n/m	6.2%	-15.4%	-59.2%	-19.4%	n/m	0.4%	28.3%	130.7%	32.8%
% sales	0.2%	-0.5%	0.9%	0.7%	0.1%	0.4%	-0.3%	0.5%	0.4%	0.0%	0.2%	-0.2%	0.5%	0.4%	0.1%	0.2%
<b>EPS--Operations</b>	<b>0.50</b>	<b>(0.14)</b>	<b>0.37</b>	<b>0.29</b>	<b>0.06</b>	<b>0.57</b>	<b>(0.20)</b>	<b>0.39</b>	<b>0.24</b>	<b>0.02</b>	<b>0.46</b>	<b>(0.15)</b>	<b>0.39</b>	<b>0.31</b>	<b>0.05</b>	<b>0.61</b>
% Increase	n/m	n/m	-7.5%	-63.5%	n/m	14.6%	n/m	4.5%	-16.6%	-59.2%	-20.2%	n/m	0.6%	28.3%	130.7%	32.6%
Shares Out. Diluted	10.7	16.7	16.8	16.8	17.0	16.8	16.9	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0

## Required Disclosures



I, Jeffrey Blaeser, the author of this research report, certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers, and no part of my compensation was, is, or will be directly or indirectly tied to the specific recommendations or views contained in this research report.

Research analyst compensation is dependent, in part, upon investment banking revenues received by Morgan Joseph & Co. Inc.

Morgan Joseph & Co. Inc. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	56.67	37.25
HOLD [H]	42.22	31.58
SELL [S]	1.11	0.00

Meaning of Ratings

- A) Buy means reasonable outperformance relative to the market over 12-18 months.
- B) Hold means market-type risk adjusted performance; potential source of funds.
- C) Sell means expected to underperform the market.

### Other Disclosures

The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Morgan Joseph & Co. Inc., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Morgan Joseph & Co. Inc. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

**Morgan Joseph & Co. Inc.**

600 Fifth Avenue, 19th Fl

New York, NY 10020

Tel. 212.218.3700

Fax. 212.218.3789

**Sales and Trading**

**New York**

Tel. 212.218.3767

Fax. 212.218.3705

**Pittsford**

Tel. 877.237.6542

Fax. 585.899.6029