

November 7, 2008

**Key Metrics**

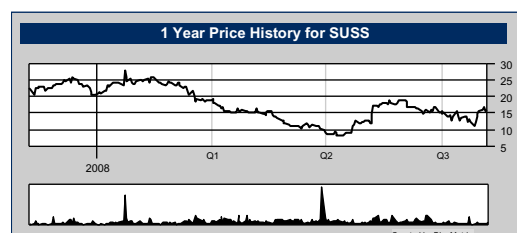
SUSS - NASDAQ	\$16.11
Pricing Date	11/06/2008
Price Target	NA
52-Week Range	\$28.49-\$7.68
Shares Outstanding (mm)	17.0
Market Capitalization (\$mm)	\$274.4
3-Mo Average Daily Volume	60,806
Institutional Ownership	43%
Debt/Total Capital	68.4%
ROE	5.9%
Book Value/Share	\$11.59
Price/Book	1.4x
Dividend Yield	NM
LTM EBITDA Margin	2.16%

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

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	(0.14)	--	(0.20)A	(0.15)E	(0.12)E
2Q-Jun	0.37	--	0.39A	0.39E	0.42E
3Q-Sep	0.29	0.24E	0.40A	0.31E	0.37E
4Q-Dec	0.06	0.02E	0.09E	0.05E	0.10E
FY	0.57	0.46E	0.68E	0.61E	0.78E
P/E	28.3x		23.7x		20.7x

**Revenue(\$mm)**

	2007A	Prior 2008E	Curr. 2008E	Prior 2009E	Curr. 2009E
1Q-Mar	528.7	--	1,000.7A	1,094.2E	928.4E
2Q-Jun	692.8	--	1,230.2A	1,274.0E	1,064.0E
3Q-Sep	674.0	1,131.2E	1,214.0E	1,260.2E	1,080.5E
4Q-Dec	821.9	1,054.4E	930.5E	1,116.2E	979.6E
FY	2,717.4	4,416.4E	4,375.4E	4,744.7E	4,052.5E



**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

#### Strong Margins Drive Strong EPS Growth; 3Q EPS Beat Our/Street Estimates

**Investment Highlights:**

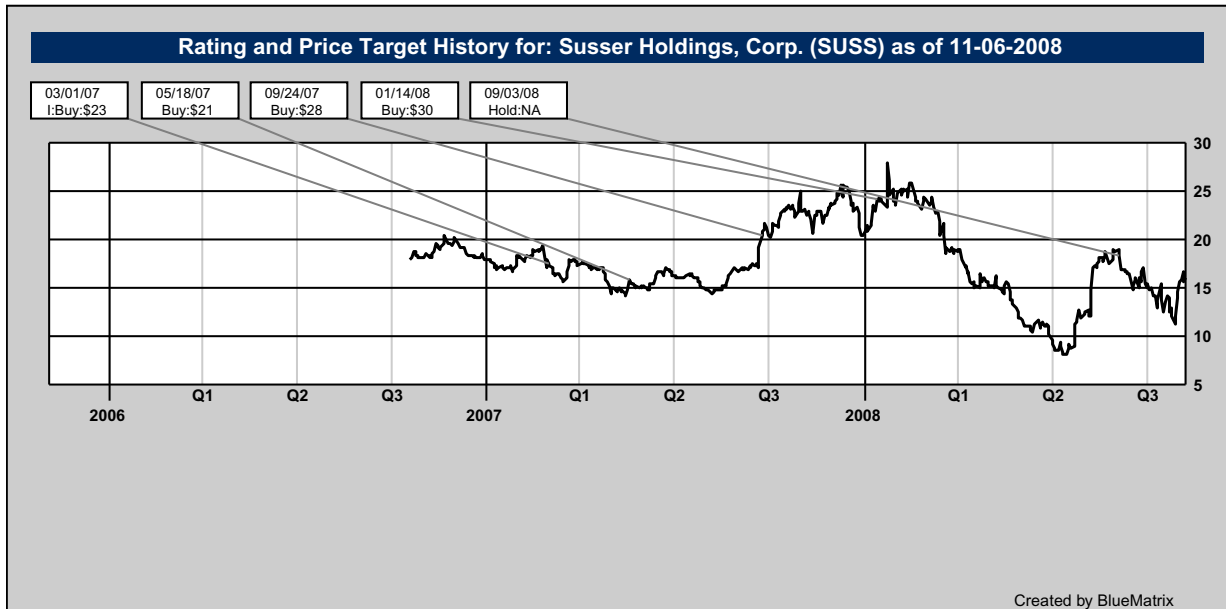
- **Susser reports 3Q08 EPS of \$0.40; strong gasoline margins drive upside.** Susser's 3Q08 EPS of \$0.40 exceeded our/Street consensus estimates by \$0.16 and \$0.09, respectively. The upside was generated primarily from strong retail gasoline profit margins of \$0.22 per gallon versus our \$0.19 estimate.
- **Gasoline margins soar to well above historical norms.** Retail gasoline margins expanded to \$0.22 per gallon versus \$0.19 LY (and our estimate of \$0.19). Decreasing oil prices appeared to benefit Susser as retail prices can be maintained while costs decline. This trend could continue should oil prices maintain their downward pattern.
- **Gasoline demand down but showing signs of growth.** Higher first half gasoline prices appeared to limit consumption in 3Q (avg. gallons sold per retail store down 6.2%), but declining gasoline prices may be turning positive in 4Q. We have increased our 4Q gallons per store estimate to 2% from (2%) based upon recent trends.
- **Expanded expectations for margins/gasoline volumes increase EPS estimates.** We are increasing our 2008/2009 EPS estimates by \$0.22 and \$0.17 to \$0.68 and \$0.78, respectively, on better than expected 3Q results and higher expectations for gasoline consumption and profit margins.
- **Merchandise comps remain strong; consumers potentially seeking lower priced, yet quality, options.** While gasoline volumes were down, in-store merchandising comps expanded 6.7% Y/Y. Food, beer, cigarettes, and snacks appeared to have the greatest impact but most categories seemed to grow. Susser's lower cost food/merchandise options could prove a recessionary target should consumers seek lower priced options. We maintain our expectations for roughly 6% merchandise comp growth in 2009.
- **Reducing 2009 sales estimates, but for once, this is not a bad thing.** Sales expanded 80% Y/Y to \$1.2bn (includes Town and Country acquisition). The results were above our estimate of \$1.1bn due to higher than anticipated gasoline prices. We are lowering our 2009 sales estimate to \$4.1bn from \$4.7bn due to potentially lower gasoline prices. We view lower sales as a positive when it represents lower gasoline prices, because that tends to increase gasoline purchases (gallons), resulting in higher margins and lower credit card fees.
- **Maintain Hold on valuation - potential recessionary play.** While we are maintaining our Hold rating on valuation (SUSS is currently trading in line with its peer group EV/EBITDA multiple of roughly 7x), we acknowledge the benefits Susser could generate from a U.S. recession and would become more bullish should current trends for oil prices and consumption rates continue.

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

	FY 2006	Q1 Apr-07	Q2 Jul-07	Q3 Sep-07	Q4 Dec-07	FY 2007	Q1 Mar-08	Q2 Jun-08	Q3 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>1214.0</b>	<b>930.5</b>	<b>4,375.4</b>	<b>928.4</b>	<b>1064.0</b>	<b>1080.5</b>	<b>979.6</b>	<b>4,052.5</b>
<i>% Increase</i>	19.5%	1.0%	6.7%	11.4%	68.6%	20.0%	89.3%	77.6%	80.1%	13.2%	61.0%	-7.2%	-13.5%	-11.0%	5.3%	-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>1095.2</b>	<b>824.6</b>	<b>3,946.9</b>	<b>828.7</b>	<b>944.2</b>	<b>959.3</b>	<b>868.6</b>	<b>3,600.7</b>
<i>% increase</i>	20.6%	0.3%	6.6%	12.3%	69.3%	20.1%	90.9%	77.9%	80.3%	10.8%	60.7%	-8.9%	-15.5%	-12.4%	5.3%	-8.8%
<i>% sales</i>	90.3%	90.1%	90.7%	90.1%	90.5%	90.4%	90.9%	90.9%	90.2%	88.6%	90.2%	89.3%	88.7%	88.8%	88.7%	88.9%
<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>118.8</b>	<b>105.8</b>	<b>428.5</b>	<b>99.7</b>	<b>119.8</b>	<b>121.1</b>	<b>111.0</b>	<b>451.7</b>
<i>% increase</i>	9.5%	7.6%	8.2%	3.3%	61.6%	18.3%	74.7%	74.0%	78.7%	36.2%	64.1%	8.9%	6.7%	2.0%	4.9%	5.4%
<i>% sales</i>	9.7%	9.9%	9.3%	9.9%	9.5%	9.6%	9.1%	9.1%	9.8%	11.4%	9.8%	10.7%	11.3%	11.2%	11.3%	11.1%
Personnel	69.3	18.3	19.6	19.8	24.7	82.5	30.3	34.5	34.5	35.0	134.3	31.5	36.0	36.0	35.5	139.0
<i>% increase</i>	11.3%	9.2%	11.4%	14.1%	40.9%	19.0%	66.0%	75.7%	74.1%	41.6%	62.9%	4.0%	4.3%	4.2%	1.4%	3.5%
<i>% sales</i>	3.1%	3.5%	2.8%	2.9%	3.0%	3.0%	3.0%	2.8%	3.0%	3.8%	3.1%	3.4%	3.4%	3.3%	3.6%	3.4%
Operating Expense	62.0	14.7	16.8	17.2	20.3	68.9	27.9	30.4	35.3	29.0	122.6	30.6	33.0	34.0	31.0	128.6
<i>% increase</i>	15.6%	-0.4%	1.8%	-0.1%	50.0%	11.3%	90.2%	81.3%	105.5%	42.8%	77.9%	9.6%	8.6%	-3.7%	6.9%	4.9%
<i>% sales</i>	2.7%	2.8%	2.4%	2.5%	2.5%	2.5%	2.8%	2.5%	2.9%	3.1%	2.8%	3.3%	3.1%	3.1%	3.2%	3.2%
Rent	22.7	6.0	6.1	6.1	7.6	25.8	8.4	8.7	8.7	9.0	34.8	9.3	9.5	10.0	10.5	39.3
<i>% increase</i>	133.0%	8.2%	10.5%	10.2%	25.2%	13.8%	39.9%	42.1%	42.3%	18.9%	34.8%	10.6%	9.5%	14.6%	16.7%	12.9%
<i>% sales</i>	1.0%	1.1%	0.9%	0.9%	0.9%	1.0%	0.8%	0.7%	0.7%	1.0%	0.8%	1.0%	0.9%	0.9%	1.1%	1.0%
Royalties	3.6	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>% sales</i>	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	19.3	6.2	6.0	7.3	8.4	27.9	9.1	8.0	9.5	9.5	36.1	9.8	8.8	9.7	9.8	38.1
<i>% increase</i>	-47.2%	38.7%	22.2%	42.2%	75.3%	44.5%	45.6%	33.6%	30.0%	12.9%	57.1%	8.7%	9.3%	2.5%	3.2%	5.7%
<i>% sales</i>	0.9%	1.2%	0.9%	1.1%	1.0%	1.0%	0.9%	0.7%	0.8%	1.0%	0.8%	1.1%	0.8%	0.9%	1.0%	0.9%
Loss/(Gain) on Assets Disp.	0.0	0.0	-0.2	0.3	0.1	0.2	0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D, A & Accretion	23.6	6.4	7.0	8.0	8.5	29.8	10.7	10.3	9.8	10.5	41.4	11.0	10.7	11.0	11.0	43.7
<i>% increase</i>	-22.0%	12.5%	18.1%	30.6%	43.7%	26.4%	69.0%	48.1%	23.0%	23.9%	39.0%	2.5%	3.4%	11.9%	4.8%	5.5%
<i>% sales</i>	1.0%	1.2%	1.0%	1.2%	1.0%	1.1%	1.1%	0.8%	0.8%	1.1%	0.9%	1.2%	1.0%	1.1%	1.1%	1.1%
<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>21.1</b>	<b>12.8</b>	<b>59.2</b>	<b>7.4</b>	<b>21.8</b>	<b>20.4</b>	<b>13.2</b>	<b>62.9</b>
<i>% increase</i>	NM	22.3%	8.6%	-34.8%	NM	27.3%	NM	119.4%	171.5%	57.9%	128.4%	48.8%	7.7%	-3.3%	3.3%	6.3%
<i>% sales</i>	0.9%	0.1%	1.3%	1.2%	1.0%	1.0%	0.5%	1.6%	1.7%	1.4%	1.4%	0.8%	2.1%	1.9%	1.4%	1.6%
Interest Expense	16.3	3.0	2.9	2.9	6.9	15.8	9.9	9.5	10.0	10.0	39.3	10.0	10.0	10.0	10.0	40.0
Other Income	-0.4	-0.1	-0.1	-0.1	-0.1	-0.4	-0.1	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
<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>11.2</b>	<b>2.8</b>	<b>20.1</b>	<b>(2.6)</b>	<b>11.8</b>	<b>10.4</b>	<b>3.2</b>	<b>22.9</b>
<i>% increase</i>	NM	NM	70.1%	-32.6%	NM	134.4%	NM	69.6%	124.8%	120.6%	91.3%	NM	9.2%	-6.4%	14.9%	14.2%
<i>% sales</i>	0.2%	-0.4%	0.9%	0.7%	0.2%	0.4%	-0.5%	0.9%	0.9%	0.3%	0.5%	-0.3%	1.1%	1.0%	0.3%	0.6%
Taxes(benefit)	-0.9	0.3	0.1	0.1	0.3	0.8	-1.4	4.2	4.3	1.4	8.5	-0.6	4.7	4.2	1.5	9.7
Rate	-20.0%	-12.1%	1.9%	2.5%	26.8%	8.1%	29.2%	38.6%	38.8%	48.2%	42.3%	23.5%	39.3%	39.8%	47.1%	42.4%
<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>6.8</b>	<b>1.5</b>	<b>11.6</b>	<b>(2.0)</b>	<b>7.2</b>	<b>6.3</b>	<b>1.7</b>	<b>13.2</b>
<i>% increase</i>	NM	NM	66.9%	-34.2%	NM	79.6%	NM	6.2%	41.0%	56.3%	20.1%	NM	8.0%	-7.8%	17.3%	14.0%
<i>% sales</i>	0.2%	-0.5%	0.9%	0.7%	0.1%	0.4%	-0.3%	0.5%	0.6%	0.2%	0.3%	-0.2%	0.7%	0.6%	0.2%	0.3%
<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>0.40</b>	<b>0.09</b>	<b>0.68</b>	<b>(0.12)</b>	<b>0.42</b>	<b>0.37</b>	<b>0.10</b>	<b>0.78</b>
<i>% Increase</i>	NM	NM	-7.5%	-63.5%	NM	14.6%	NM	4.5%	39.2%	56.4%	19.0%	NM	8.2%	-7.9%	17.3%	13.8%
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

Source: Company reports and Morgan Joseph estimates

**Required Disclosures**



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Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [B]	55.32	36.54
HOLD [H]	43.62	31.71
SELL [S]	1.06	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 over 12-18 months.

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