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June 1, 2011

Stock Rating
Overweight

Industry View
In-Line

Sagent Pharmaceuticals Inc

IMS Tracker: April 2011

Investment conclusion: Total IMS sales were up 247% in April y/y. Excluding heparin and topotecan sales were up 57%. QoQ and MoM sales were down 5% on a weekly average basis. Heparin, topotecan and cefepime were ~68% of sales in April compared to 69% in March. The current weekly run rate implies ~\$32.6MM in sales for 2Q (before gross to net adjustments) compared to our estimate of \$33MM. However, this does not include the impact of recent approved Zosyn or additional new products.

Topotecan hanging in: Sagent's share was 31% in April compared to 32% in March and 33% in February. Hospira gained 350 bps of share in April following a March launch with share coming largely from the branded drug (GSK's Hycamtin).

Heparin share holding flat: Total heparin share was flat sequentially at ~17% where it has been YTD. Excluding the lock-flush products, share was 18% for Sagent (+20bps MoM, +60 bps QoQ).

Cefepime share flat at ~30%: Sagent's market share was ~29%, which is consistent with ~30% in March and February. Weekly average sales were flat MoM.

MORGAN STANLEY RESEARCH NORTH AMERICA

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Key Ratios and Statistics

Reuters: **SGNT.O** Bloomberg: **SGNT US**
Medical Technology / United States of America

Shr price, close (May 31, 2011)	\$25.00
Mkt cap, curr (mm)	\$52
52-Week Range	\$25.74-17.98

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS (\$)	ND	(0.60)	0.46	1.55
Prior ModelWare EPS (\$)	-	-	-	-
P/E	ND	NM	54.3	16.2
Consensus EPS (\$)	-	-	-	-
Div yld (%)	ND	0.0	0.0	0.0

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

\$ = Consensus data is provided by FactSet Estimates.
e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

Quarter	2010	2011e	2011e	2012e	2012e
		Prior	Current	Prior	Current
Q1	(3.89)	-	(2.09)a	-	0.12
Q2	ND	-	(0.28)	-	0.11
Q3	ND	-	(0.07)	-	0.11
Q4	ND	-	0.00	-	0.11

e = Morgan Stanley Research estimates, a = Actual company reported data

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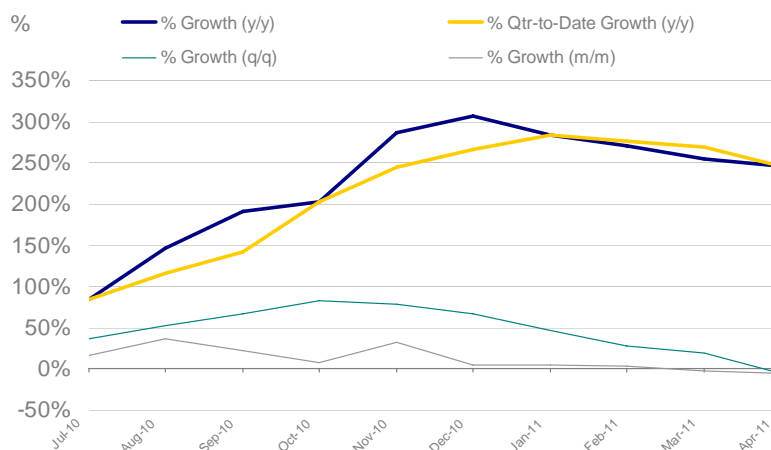
Sagent 2Q11 IMS Trend Through April

Sagent Product Sales

Total IMS sales were up 247% in April y/y. Excluding heparin and topotecan, sales were up 57%. QoQ sales were down 5% and MoM sales were down 5% on a weekly average basis. The fastest growth products were 1) epirubicin (1% of sales +200% y/y), 2) fludarabine (3% of sales, +175% y/y, and 3) pamidronate (0.5% of sales, +140%).

The current run rate implies ~\$32.6MM in sales for 2Q (before gross to net adjustment) compared to our estimate of \$33MM but this does not include the impact of recently approved Zosyn or other new approvals.

US IMS Product Sales for Sagent

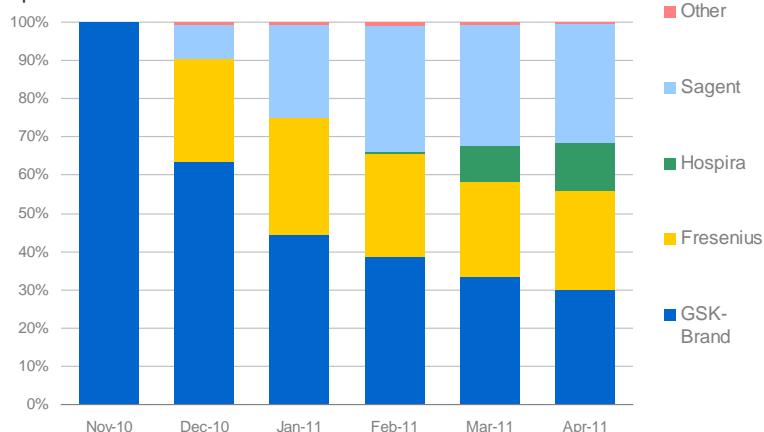


Source: IMS, Morgan Stanley Research, Note the chart excludes oxaliplatin and Taxotere

Topotecan: hanging in despite competition

Sagent's share was 31% in April compared to 32% in March and 33% in February. Sales down 13% MoM on a weekly average basis. The Hospira launch in March was been the dominant factor gaining 350 bps of share in April with 350bps coming from the branded drug (GSK).

Topotecan Share

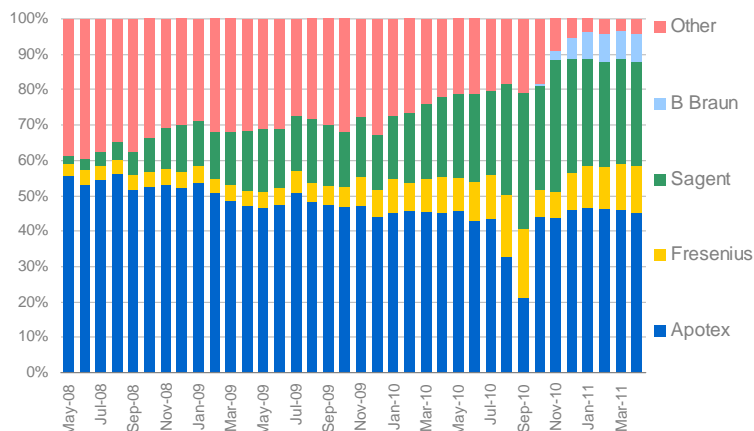


Source: IMS, Morgan Stanley Research.

Cefepime share flat at ~30%

Sagent's market share was ~29%, which is consistent with ~30% in March and February. Weekly average sales were flat MoM and up 13% y/y.

Cefepime Share



Source: IMS, Morgan Stanley Research.

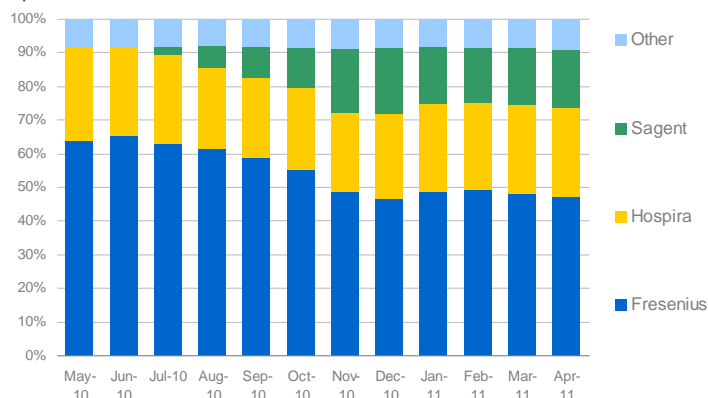
June 1, 2011

Sagent Pharmaceuticals Inc

Heparin share holding flat

Total heparin share was flat sequentially at ~17% where it has been all year. Excluding the lock-flush products, share was 18% for Sagent. Sales were down 5% on a weekly average basis over March and the 1Q average.

Heparin Share



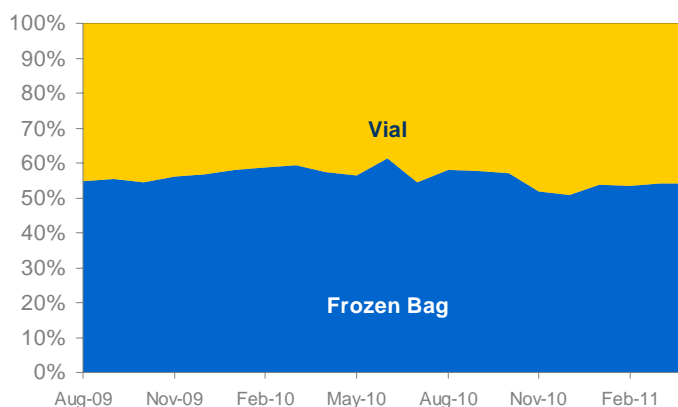
Source: IMS, Morgan Stanley Research, market share in USD

Zosyn Market Overview

The recent approval of Zosyn will be Sagent next major product launch. We currently model approximately ~\$15MM in sales for 2011. A few facts on the market:

1. 45% of the market is in a frozen bag formulation that that is unlikely to be impacted by generics in the near term,
2. Within the vial market, generic share is ~25% due to supply constraints and Pfizer's strong contracting position in our management conversations, and
3. Within generics, Sandoz/Apotex/Hospira hold 38%/43%/18% share respectively.

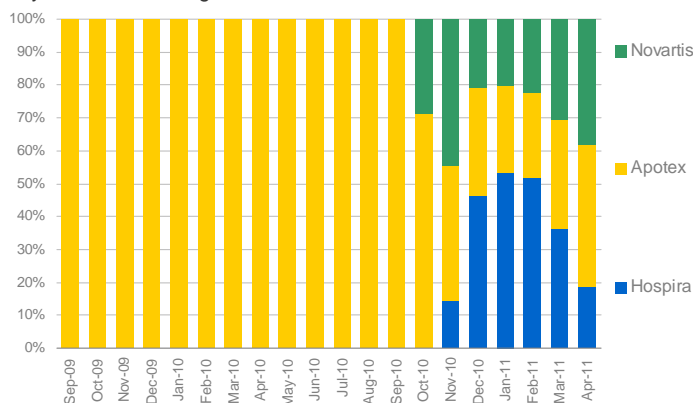
Zosyn Market by Formulation



Source: IMS, Morgan Stanley Research

Therefore, assuming a ~40-50% price discount, the generic vial market for Zosyn is ~\$200MM we estimate. Generic share of the vial market has not changed from the ~25% level since December 2010, likely reflecting well-known supply constraints in this market.

Zosyn Non-Frozen Bag Generics Share



June 1, 2011

Sagent Pharmaceuticals Inc

Company Description

Sagent Pharmaceuticals, Inc., a specialty injectables company, engages in developing, manufacturing, sourcing, and marketing injectable pharmaceutical products in the United States and internationally. It offers injectable products in the therapeutic areas of cardiovascular, anti-infective/antibacterial, antineoplastic agents, and antiemetic.

Medical Technology/United States of America

Industry View: In-Line

GICS Sector: Health Care

Strategist's Recommended Weight: 15.9%

S&P 500 Weight: 11.6%



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June 1, 2011

Sagent Pharmaceuticals Inc

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(as of May 31, 2011)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	1153	41%	464	48%	40%
Equal-weight/Hold	1140	41%	365	38%	32%
Not-Rated/Hold	108	4%	20	2%	19%
Underweight/Sell	390	14%	108	11%	28%
Total	2,791		957		

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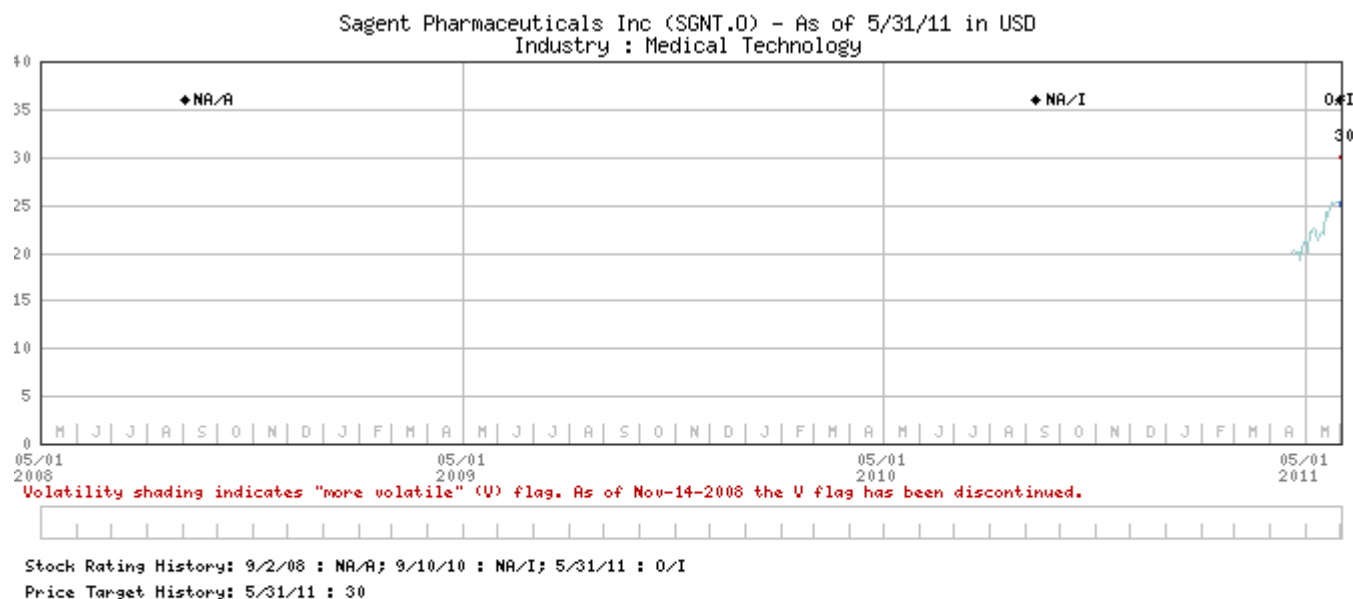
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Stock Price, Price Target and Rating History (See Rating Definitions)

June 1, 2011

Sagent Pharmaceuticals Inc



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Industry Coverage: Medical Technology

Company (Ticker)	Rating (as of)	Price* (05/31/2011)
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David R. Lewis

Abbott Laboratories (ABT.N)	O (09/04/2008)	\$52.25
Abiomed (ABMD.O)	E (02/06/2009)	\$18.78
American Medical Systems Holdings, Inc. (AMMD.O)	++	\$29.94
Baxter International (BAX.N)	O (09/04/2008)	\$59.52
Becton Dickinson (BDX.N)	E (07/31/2009)	\$87.55
Boston Scientific (BSX.N)	E (09/10/2010)	\$7.18
C.R. Bard (BCR.N)	E (01/03/2011)	\$111.78
CareFusion Corp. (CFN.N)	O (05/20/2010)	\$28.98
Covidien (COV.N)	O (07/15/2010)	\$55
Edwards Lifesciences (EW.N)	E (09/04/2008)	\$88.73
Haemonetics Corporation (HAE.N)	U (01/03/2011)	\$67.63
Hansen Medical, Inc. (HNSN.O)	U (01/08/2009)	\$2.87
Hologic, Inc. (HOLX.O)	E (05/05/2009)	\$21.5
Integra LifeSciences (IART.O)	E (09/10/2010)	\$51.29
Intuitive Surgical Inc. (ISRG.O)	E (10/02/2007)	\$349
Johnson & Johnson (JNJ.N)	E (08/10/2010)	\$67.29
Medtronic Inc. (MDT.N)	E (09/04/2008)	\$40.7
St. Jude Medical (STJ.N)	U (01/03/2011)	\$50.67
Stryker Corporation (SYK.N)	O (01/08/2010)	\$62.4
Talecris Biotherapeutics Holdings (TLCR.O)	++	\$28.8
Zimmer Holdings, Inc. (ZMH.N)	E (07/16/2009)	\$67.76

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Affymetrix (AFFX.O)	E (07/20/2009)	\$6.09
Beckman Coulter (BEC.N)	++	\$83.09
Gen-Probe Inc. (GPRO.O)	E (11/21/2008)	\$81.79
Hospira (HSP.N)	E (07/16/2009)	\$55.29
Illumina (ILMN.O)	O (01/23/2009)	\$72.08
Life Technologies (LIFE.O)	O (03/19/2009)	\$51.97
Myriad Genetics (MYGN.O)	E (03/19/2009)	\$25.41
Pacific Biosciences of California, Inc. (PACB.O)	O (12/06/2010)	\$11.97
Qiagen NV (QGEN.O)	E (10/25/2010)	\$19.73
Sagent Pharmaceuticals Inc (SGNT.O)	O (05/31/2011)	\$25
Thermo Fisher Scientific Inc (TMO.N)	O (09/11/2009)	\$65.45
Waters Corp (WAT.N)	E (12/12/2008)	\$98.56

Stock Ratings are subject to change. Please see latest research for each company.

* Historical prices are not split adjusted.