

May 6, 2011

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Pacira Pharmaceuticals, Inc. (PCRX - OUTPERFORM): We Believe Multiple Exparel Presentations at Upcoming Medical Meetings Will Increase Physician Awareness Ahead of Potential Approval and Launch.

Price: \$10.79

Fair Value Estimate: \$19

- **New Phase 3 Exparel data supports its use in breast augmentation surgery.** The data presentation titled "Exparel (Bupivacaine Extended-Release Liposome Injection), An Investigational Analgesic, Provides Postsurgical Pain Relief and Decreased Opioid Use as Demonstrated by Integrated Analysis" will be presented by Dr. Sergio Bergese at the Society for Ambulatory Anesthesia (SAMBA) 26th Annual Meeting in San Antonio on May 7th. The trial treated 136 patients who were randomized to receive either 600mg Exparel or 200mg regular bupivacaine and evaluated both pain score and opioid usage. Statistical significance ($p < 0.05$) was achieved at multiple time points when the pain score and opioid usage were combined and evaluated using the integrated rank analysis of Silverman. Additionally, the mean total opioid rescue used was lower with Exparel at all time points through 96 hours. As seen with the other Exparel trials, safety was similar between Exparel and regular bupivacaine. In our opinion, the data support findings from the other Exparel trials in that it shows extended pain control while reducing opioid consumption. Assuming Exparel gets approved with a broad label, we believe it will be used in multiple types of surgery procedures including breast augmentation.
- **A comprehensive overview of numerous Phase 2 and 3 trials of Exparel should serve to help educate the medical community on its broad utility.** Also at SAMBA, Dr. Bergese will have a presentation titled "The Efficacy of Exparel, A Multivesicular Liposomal Extended-Release Bupivacaine." The presentation cites data from 10 clinical trials spanning five different surgical procedures in which 823 patients were exposed to Exparel at doses from 75mg to 600mg. We believe the vast clinical experience and safety profile of Exparel will give physicians comfort in switching from regular bupivacaine.
- **Phase 1 data of Exparel administered via epidural shows extended sensory blockade supporting further development for this route of administration.** The data presentation titled "Duration of Motor vs. Sensory Blockade of Exparel (Bupivacaine Extended-Release Liposome Injection) and Bupivacaine HCl in a Phase 1 Epidural Study" will be presented by Dr. Eugene R. Viscusi at the American Society of Regional Anesthesia and Pain Medicine (ASRA) 36th Annual Regional Anesthesia Meeting and Workshops in Las Vegas on May 5-8. The data shows that Exparel extends sensory blockade without extending motor blockade as compared to regular bupivacaine. We estimate the U.S. market opportunity for Exparel administration via epidural to be about six million procedures and as upside to our current fair value.
- **Pacira has additional Exparel presentations at upcoming medical conferences.** We believe the company's participation in these conferences is important for ultimately receiving formulary approval and driving initial sales pull through. We also believe that these conferences will serve as a forum for Pacira to meet with key opinion leaders in the medical community and help facilitate early adoption.

May 5-8, 2011 36th Annual Meeting of American Society of Regional Anesthesia (ASRA; Las Vegas, NV)

May 5-8, 2011 26th Annual Meeting of the Society for Ambulatory Anesthesia (SAMBA; San Antonio, TX)

May 14-18, 2011 2011 Annual Meeting of American Society of Colon & Rectal Surgeons (ASCRS; Vancouver, BC)

May 17, 2011 American Association of Pharmaceutical Scientists: National Biotechnology Conference (San Francisco, CA)

May 21-24, 2011 2011 Annual Meeting of International Anesthesia Research Society (IARS; Vancouver, BC)

- **We believe the next major catalyst for Pacira is the PDUFA date of July 28, 2011 for Exparel treatment of postsurgical pain management.** We estimate a 75% chance that Exparel is approved on its PDUFA date and see about 70% upside more from current levels on approval. Furthermore, we believe Exparel is likely to receive a broad label for use as a single dose local administration into the surgical wound to produce postsurgical analgesia given that other pain drugs such as OFIRMEV, Caldolor, and Zipsor were all recently approved with broad labels for pain.
- **We reiterate our OUTPERFORM rating and fair value of \$19.** Our fair value is calculated based on the sum-of-parts for each drug/indication combination using a 30% annual discount from our peak annual revenues projections and 1-10x multiple, depending on stage of development to reflect risk.

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- Risks to our fair value include regulatory and commercial risk for Pacira's lead drug candidate Exparel. The PDUFA date for Exparel is July 28, 2011 and there is always risk that the FDA could delay approval. On the commercial front, Exparel will compete with generic forms of regular bupivacaine and, although we believe Exparel offers therapeutics advantages, some physicians may opt for the cheaper drug.

Analyst Certification

I, Richard Lau, Liana Moussatos, Ph.D., certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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Company	Disclosure
Pacira Pharmaceuticals, Inc.	1,3,4,5,7

Research Disclosure Legend

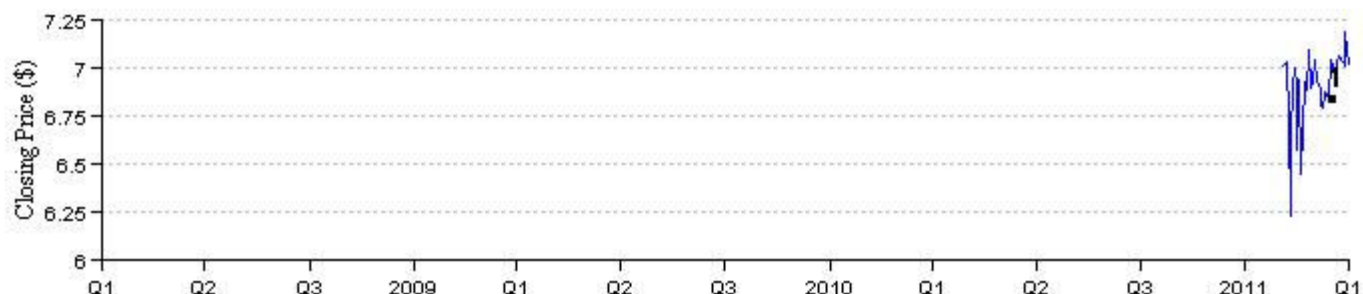
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1) 03/15/11
Outperform \$19



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