COMPANY NOTE

Initiating Coverage

USA | Healthcare | Pharmaceuticals/Specialty

June 3, 2011

Jefferies

Sagent Pharmaceuticals (SGNT)

Only Its Products Are Generic; Initiate at Buy

BUY

Price target $31.00

Price $25.43

EQUITY RESEARCH AMERICAS

Key Takeaway

Sagent is one of a few standalone generic injectables companies, and given high barriers to entry and limited competition, has compelling scarcity value. With a low-cost business model that should support significant future margin expansion, one of the industry's largest pipelines, and a management team with a track record of success, we initiate coverage at a Buy and $31 PT.

In April 2011, Jefferies acted as joint book runner on Sagent's initial public offering, *which was priced at $16/share and raised $95.5M in net proceeds for the company.*

The Generic Sweet Spot. Sagent focuses on generic injectables, a healthy and growing market in the US (7% '10-'16 rev CAGR, >$7B total rev by '16) that features limited competition (given high barriers to entry) and chronic shortages from other players that create opportunities. Thus, even being the 3rd-5th entrant can still lead to substantial profits.

Margin Expansion. This is perhaps the most overlooked attribute that investors have a more difficult time believing. We believe operating margins will expand for three reasons: 1) partner payouts that show up in COGS should drop as a function of newer launches with less onerous profit splits, 2) actual COGS should drop with increasing volumes and an emphasis on ultra-low cost API, and 3) Sagent's SG&A is mostly a fixed cost. Hence we see OM moving from 3% in Q4'11 to 28% by 2015.

Big Pipeline. Sagent has established itself as a prolific company, submitting 127 ANDAs over the past four years. Recent key approvals have been heparin, topotecan, and gx Zosyn; gx Gemzar should come this July. With a pipeline of 39 products (in 69 ANDAs) pending approval and 32 more (52 ANDAs) in development, new approvals should drive exceptional EPS growth.

Track Record of Success. Sagent is led by CEO Jeff Yordon, an industry veteran of nearly 40 years. He helped build four successful generic injectable start-ups (most recently APP, which was bought for ~$5B) that ultimately delivered $11B in value.

Valuation/Risks

Our $31 PT (24% upside) is based on 19.4x our 2013 EPS of $1.60. At 19.4x, this is a premium to generic peers, but one deserved in our view, given Sagent's focus on gx injectables and its high-growth profile. Risks include the potential loss of key personnel, partnerships and/or contracts, FDA delays for ANDAs, and manufacturing/supply disruptions.

USD	*Prev.*	2010A	*Prev.*	2011E	*Prev.*	2012E	*Prev.*	2013E
Rev. (MM)	--	74.1	--	161.4	--	245.9	--	351.4
EV/Rev		8.2x		3.8x		2.5x		1.7x
EPS								
Mar	--	--	--	(2.09)A	--	--	--	--
Jun	--	--	--	(0.27)	--	--	--	--
Sep	--	--	--	0.01	--	--	--	--
Dec	--	--	--	0.05	--	--	--	--
FY Dec	--	NA	--	(0.43)	--	0.58	--	1.60
FY P/E				NM		43.8x		15.9x

Financial Summary

Net Debt (MM):	$(101.3)

Market Data

52 Week Range:	$27.09 - $16.00
Total Entprs. Value (MM):	$605.7
Market Cap. (MM):	$707.0
Insider Ownership:	59.0%
Institutional Ownership:	63.0%
Shares Out. (MM):	27.8
Float (MM):	25.4
Avg. Daily Vol.:	67,556

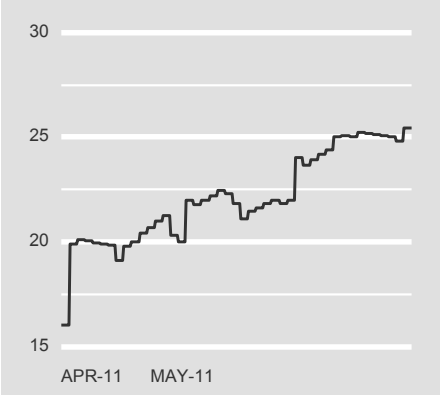
Corey Davis, Ph.D. *
Equity Analyst
(212) 336-7187 cdavis@jefferies.com

Graig Suvannavejh, Ph.D. *
Equity Associate
(212) 284-2170 gsuvannavejh@jefferies.com

Oren G. Livnat *
Equity Associate
(212) 284-2214 olivnat@jefferies.com

* Jefferies & Company, Inc.

Price Performance



SGNT

Initiating Coverage

June 3, 2011

Sagent Pharmaceuticals

BUY: $31 Price Target

THE LONG VIEW

Scenarios

Target Investment Thesis

- Margin expansion story: GM% expected to increase from current 10-15% to 30-35% over the next several years
- Momentum with new product approvals should continue (Zosyn recently approved)
- Seasoned management team led by a CEO with a track record of success of building shareholder value
- Scarcity value: companies with generic injectables are highly sought-after assets
- PT – $31, based on a 19.4x P/E on 2013 EPS of 1.60

Upside Scenario

- Slowdown in FDA approvals reverses
- Unannounced/unanticipated new ANDAs get approved and launched
- Sagent is able to secure better than expected GPO contract wins, which could boost market share for major products.
- Competition gets hit by regulatory delays, manufacturing deficiencies, and/or supply shortages
- PT – $44, based on a higher 22x P/E multiple on higher 2013 EPS of $2.00

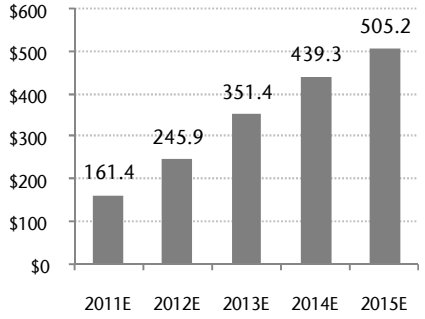
Downside Scenario

- Key pipeline opportunities fail to get approved as expected
- ANDA backlog at FDA continues to grow
- ANDA approval times slow even further
- Deficiencies at manufacturing facilities lead to production delays and/or plant shutdowns
- Margin expansion fails to materialize
- Loss of personnel, partnerships, contracts

PT – $13, based on a lower 8x P/E multiple on 2013 EPS of $1.60

Long Term Analysis

Sagent Revenue Projections



Source: Capital IQ

Long Term Financial Model Drivers

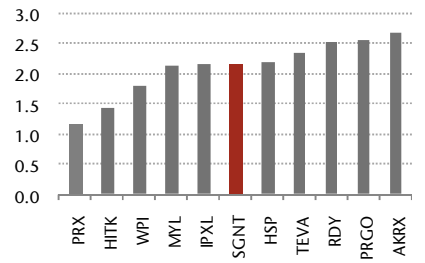
2011-15 Revenue CAGR	33.0%
2012-15 EPS CAGR	87.2%
2013-15 EPS CAGR	35.6%
GM Expansion (2010-15)	24.8%
Op. Margin Expansion (2012-15)	18.4%

Other Considerations

Sagent specializes in hospital-based generic injectable products, for which there are high barriers to entry, limited competition, and critical shortages for a number of key products. This, in our opinion, puts Sagent in the sweet spot among its generic peers. Ultimately, we believe this, combined with a rich history of consolidation among generic injectable pharmaceutical companies, could lead to Sagent being seen as an eventual M&A takeout candidate.

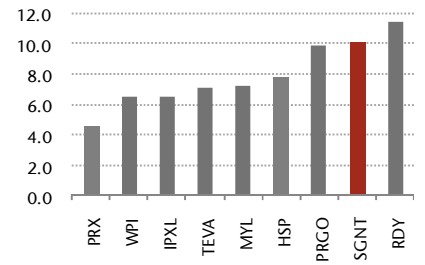
Peer Group (consensus estimates except SGNT)

2013 EV/REV



Source: Capital IQ

2013 EV/EBITDA



Source: Capital IQ

Recommendation / Price Target

Ticker	Rec.	PT
AKRX	NC	-
HITK	NC	-
HSP	NC	-
IPXL	HOLD	$25
MYL	NC	-
PRGO	NC	-
PRX	NC	-
SGNT	BUY	$31
RDY	NC	-
TEVA	HOLD	$53
WPI	NC	-

Catalysts

- Launch of generic Gemzar (expected in July 2011)
- Other new product approvals (expected throughout 2011)
- FDA inspection and approval of Sagent's Chengdu facility (expected in 2012)

Company Description

Sagent Pharmaceuticals is a Schaumberg, IL-based US-focused generic pharmaceuticals company specializing in hospital-based, critical care injectable products. Founded in 2006, the company currently markets 24 products (including most recently, heparin, generic Hycamtin, and generic Zosyn) and has a deep pipeline of 69 additional ANDAs that are currently pending FDA approval. In addition, Sagent features a global network of partnerships (including Actavis and Strides) that helps it source, develop, and manufacture new products, and is led by an experienced management and commercial team (including CEO Jeffrey Yordon, an industry veteran who has helped build several other generic injectable pharmaceutical companies that ultimately were sold) that bring long-standing relationships with general purchasing organizations and the major drug distributors.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Investment Summary

We are initiating coverage on Sagent Pharmaceuticals with a Buy rating and $31 price target. Sagent is a specialty pharmaceutical company focused mostly on hospital-based, generic injectable drugs in the US. Given the very high barriers to entry, generic injectables are a much more attractive sub-segment of the generic market than oral tablets and capsules. As demonstrated by the high level of M&A activity over the past decade, companies specializing in such products are highly sought-after assets. Sagent has only a few competitors, but these include many of the industry's heavyweights. In only five years (founded in 2006), Sagent has created a substantial portfolio of both marketed products (now 24) and pipeline. Its highest profile event was the July 2010 approval of unfractionated generic heparin, which came during a time of major supply shortage. The approval was a testament to its ultra-high manufacturing quality standards and the fact that it is already supplying about 1/3 of the $300 million market is a validation of its sourcing and selling expertise. With other high-profile generic injectable approvals since then (e.g., topotecan, gemcitabine, and recently, generic Zosyn) and a deep ANDA pipeline that rivals its much larger peers, Sagent's momentum should easily continue.

Sagent is led by Jeff Yordon, an industry veteran of almost 40 years who's demonstrated a tremendous track record of success of creating shareholder value – $11BN of M&A transactions involving his prior generic injectable companies. Sagent successfully completed an initial public offering last month – the first generic pharmaceutical company to IPO in the US since 2002. The stock closed 24% higher on its first day of trading, and is now up an additional 28% since then vs. (1.3%) for the S&P 500. We still think there is plenty of upside remaining given our opinion of its growth outlook. Sagent has a low cost business model whose margins should meaningfully improve (GM modelled to grow from 12% in 2010 to 37% by 2015), a vast global network of partners (most notably in India and China) that provides Sagent one of the best ANDA pipelines among its peers, and a seasoned management team that carries long-standing industry relationships.

Valuation

Our $31 price target is based on a ~19.5x multiple of 2013 EPS of $1.60. This is a premium multiple to the wider generic average of 12x 2013, but: 1) Sagent is the only public generic injectables pure-play, 2) SGNT should still be growing rapidly in '13 (we project a '13-'15 36% EPS CAGR), and 3) there is a clear smid-cap generic scarcity premium in a consolidating industry, and SGNT ultimately represents a likely takeout candidate.

Risks

Regulatory delay/rejection of ANDAs. The dramatic increase in the ANDA backlog at the FDA in recent years and the concomitant spike in product approval times is well documented. Any further delays or inability to secure FDA approval, especially of key products, could negatively impact our revenue and earnings projections.

Manufacturing deficiencies and/or supply disruptions. Drug manufacturing has become more heavily scrutinized. Should FDA inspections uncover any major deficiencies for Sagent (at its partners' plants), it could lead to plant shutdowns and material shortfalls in revenue.

Margin expansion fails to materialize. Sagent's current gross margin is 10-15%, but given a change in the product mix, is expected to steadily improve to 30-35% over the next several years. Should this progression stall, share appreciation could be at risk.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Loss of key personnel and/or business relationships. A key element of success for Sagent is its management team which brings years of experience and deep industry contacts. Any departure (particularly CEO Jeff Yordon) could put at risk major contracts and/or other business relationships that could be material to our projections.

Valuation Discussion

Sagent is the only true generic injectables pure-play. Hospira is the closest in terms of U.S. injectables exposure, but it is *much* larger and also does about half its business in devices. Further, Sagent is just on the verge of profitability and rapid growth in revenue and profits versus the generally mature generic players. Nevertheless, we believe investors will ultimately gauge SGNT vs. the wider injectables space. Below are comparable multiples across a wide generic swath (clearly there is significant multiples variation across companies).

P/E. We believe 2013 is the most appropriate year on which to value Sagent's earnings as we typically will look at the second full year of profitability for newly profitable companies, and it better reflects the impact of Sagent's burgeoning pipeline and growing gross margins. Our **$31 target** reflects an approximate **19.5x multiple** on our 2013 EPS of $1.60. This is a meaningful premium to the group average 12x, but: 1) Sagent will still be growing rapidly off 2013 – we estimate a 36% CAGR through 2015, and 2) this reflects the scarcity premium of smid-cap generic assets in a consolidating industry.

EV/REV. Our $31 target represents a reasonable 2.2x EV/revenue multiple on 2013 $351M sales. This is approximately in-line with comparables. Of course, 2013 sales are predicated on approval and launch of *many* pipeline assets between now and then, so to somewhat "de-risk" the analysis, using nearer 2012 sales of $246M our target implies an EV/Rev multiple of 3.1x. That is above the average 2.3x but below AKRX and approx. in-line with Perrigo and Dr. Reddy's, and again reflects a legitimate takeout premium. As shown below in Table 3, over the past several years, generic injectables takeouts have been at premium multiples. Since 2009, EV/REV multiples have averaged 4.4x – 42% and 100% above our target '12 & '13 EV/REV, respectively.

EV/EBITDA. Our $31 target represents a ~10x EV/EBITDA multiple on 2013. Again, this is above average (7.5x) but ~in-line with the top of the comparables range. A premium is warranted given we model EBITDA almost *doubling* from '13 to '15. Note that our target EV/EBITDA is below the >13x average multiple of prior takeouts.

Table 1: Generic Comparables (Capital IQ consensus estimates) vs. Sagent (Jefferies Estimates)

		Price		6/2/2011		($MM)		EV / REVENUE			EV / EBITDA			P/E		
Company	Ticker	Target	Rating	Price ($)	Shares	Mcap	EV	2011E	2012E	2013E	2011E	2012E	2013E	2011E	2012E	2013E
Akorn	**AKRX**		NC	**6.55**	94.6	619	574	4.9x	3.6x	2.5x	nm	nm	nm	23.8x	21.8x	13.9x
Dr. Reddy's	**DRRD:IN**		NC	**35.81**	169.2	6,059	6,268	3.2x	2.8x	2.5x	nm	12.9x	11.3x	19.2x	17.7x	16.6x
Hi-Tech	**HITK**		NC	**28.24**	12.7	358	299	1.7x	1.6x	1.4x	6.0x	nm	nm	12.2x	12.1x	10.9x
Hospira	**HSP**		NC	**54.30**	167.8	9,110	10,257	2.5x	2.3x	2.1x	9.0x	8.1x	7.7x	13.6x	12.1x	10.8x
Impax	**IPXL**	$25	HOLD	**26.39**	65.3	1,723	1,373	2.7x	2.4x	2.1x	11.0x	8.0x	6.4x	26.0x	19.4x	13.6x
Mylan	**MYL**		NC	**23.24**	439.3	10,208	15,145	2.5x	2.2x	2.1x	8.7x	7.6x	7.2x	11.6x	10.0x	9.2x
Par	**PRX**		NC	**33.55**	36.2	1,215	930	1.1x	1.2x	1.1x	4.8x	4.7x	4.5x	10.7x	10.3x	9.4x
Perrigo	**PRGO**		NC	**85.77**	92.7	7,953	8,623	3.0x	2.8x	2.5x	12.2x	10.8x	9.8x	20.4x	17.6x	15.8x
Teva	**TEVA**	$53	HOLD	**50.53**	892.0	45,071	51,137	2.8x	2.4x	2.3x	8.4x	7.4x	7.0x	9.9x	8.8x	8.4x
Watson	**WPI**		NC	**63.89**	126.5	8,081	8,587	2.0x	1.7x	1.8x	8.2x	6.8x	6.5x	15.2x	12.1x	11.2x
							Average	**2.6x**	**2.3x**	**2.1x**	**8.5x**	**8.3x**	**7.5x**	**16.3x**	**14.2x**	**12.0x**
Sagent																
Current				25.28	27.8	703	602	3.7x	**2.4x**	**1.7x**	nm	nm	**8.2x**	nm	nm	**15.8x**
Target	**SGNT**	$31	BUY	**31.00**	27.8	863	761	4.7x	**3.1x**	**2.2x**	nm	nm	**10.3x**	nm	nm	**19.4x**

Source: Capital IQ, Jefferies Estimates The source for NC companies is Capital IQ.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Table 2: SGNT Summary Financial Projections ($MM except per share)

	2011E	2012E	2013E	2014E	2015E
Revenue	**$161**	**$246**	**$351**	**$439**	**$505**
y/y growth	*118%*	*52%*	*43%*	*25%*	*15%*
GM%	22%	26%	33%	37%	37%
OPEX	$35	$38	$41	$44	$46
y/y growth	*16%*	*8%*	*10%*	*6%*	*5%*
OPER. Income	-$4	$23	$74	$119	$144
OP.Margin	*-3%*	*9%*	*21%*	*27%*	*28%*
Tax Rate	-	10%	30%	32%	33%
EPS	**($0.43)**	**$0.58**	**$1.60**	**$2.51**	**$2.94**
y/y growth			*176%*	*57%*	*17%*

Source: Jefferies Estimates

Table 3: Prior Generic Injectables Acquisitions – Premium Multiples

Date	Target	Acquirer	Value	EV/REV (LTM)	EV/EBITDA (LTM)
7/14/2010	Bioniche	Mylan	$550M	3.7x	12.5x
12/29/2009	PharmaForce	Luitpold	NA	5.0x	NA
12/15/2009	Orchid	Hospira	$400M	4.0x	11.4x
5/20/2009	Ebewe Pharma	Novartis	$1.3B	4.9x	NA
7/6/2008	APP	Fresenius Kabi	$4.7B	6.8x	18.4x
4/20/2008	Dabur	Fresenius Kabi	$350M	3.3x	8.3x
9/20/2006	Mayne	Hospira	$1.9B	3.2x	15.0x
6/7/2004	Sabex	Sandoz	$565M	6.3x	15.0x
10/3/2003	SICOR	Teva	$3.3BN	5.8x	15.2x

Source: Capital IQ, Company Reports, Jefferies Estimates

Recent Initial Public Offering (IPO)

On April 20, Sagent completed a 6.6125MM share IPO (which included the exercise of an 862,500 share greenshoe option) at $16.00 that netted the company $95.5MM in total proceeds. Proceeds are expected to be used for working capital, operating expenses, advancement of Sagent's product portfolio, the maintenance and expansion of its commercial collaborations and partnerships, the strengthening of the organization, and the selective pursuit of business development opportunities. Jefferies acted as joint book runner on the transaction.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

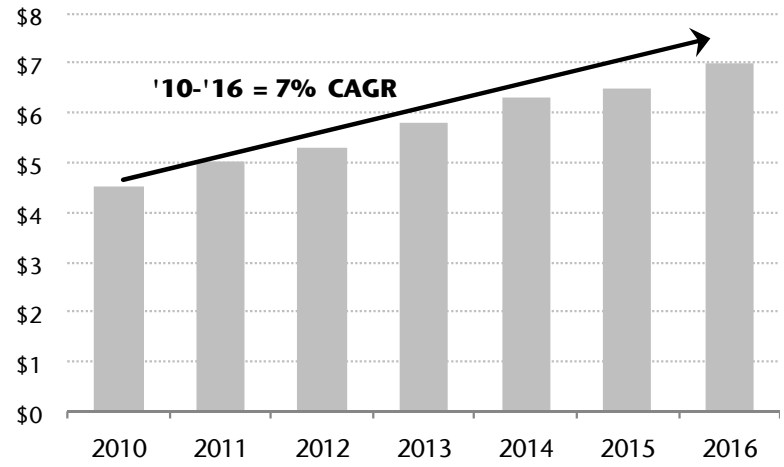
Generic Injectables: The Sweetest Slice of the Generic Pie

Fast Growing Segment

The overall U.S. generics market dramatically outpaced overall pharmaceuticals growth in 2010, with generics up almost 11% to >$78B (branded generic up 4.5%; unbranded up 21.7%) and brand sales *down* almost 0.2%. U.S. generic *injectables* represent a small portion of the entire U.S. generics market, but has more room for penetration in the U.S. and there is more limited competition. We estimate the total small-molecule U.S injectables market (does not include biologics) was $25B - $30B in 2010, with about $4B - $4.5B of that being generics. Thus, generic injectables currently represent less than 6% of total generic sales in 2010.

U.S. generic injectables grew at a 6.6% CAGR in 2005-2009, ~20% in 2010, and we model an approximate 7% market growth CAGR through 2016. There is a greater proportion of injectable drug that have not yet gone generic relative to oral small molecules, but that should change in the coming years. Only ~300 of the ~750 approved injectable drugs are generic (with ~$4B in brands getting genericized for the first time in 2011-12). We estimate generic injectable sales reach ~$7B by 2016.

Chart 1: Generic Injectables Market ($B). Still Significantly Underpenetrated



Source: Jefferies Estimates

High Barriers to Entry

Manufacturing & Sourcing

There are significantly higher barriers to entry for generic injectables than for generic oral pharmaceuticals. The most obvious is the necessary capital investment and expertise in manufacturing facilities and processes. The manufacture and fill/finish of formulations in prefilled syringes, specialized vials, premixed bags, etc. is a complex, time consuming, and expensive endeavor. Many injectable products require particularly high cGMP commitment in terms of sterile facilities/production lines, or even FDA mandated dedicated single-product facility (for example, the penem anti-infectives). Further, generic injectables often require complex and scarce API (active pharmaceutical ingredient), and the sourcing of reliable high-quality API from approved suppliers has proven a bottleneck. The necessary commitments, quality assurance, risks, and potentially lower profit margins, puts injectables manufacturing beyond many would-be competitors.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

The inherent challenges with generic injectable manufacturing are confirmed by the clear problem of *drug shortages*, which present a critical problem for end-users. The vast majority of drug shortages are for injectable products rather than oral, and they may have reached their worst-ever frequency in 2010. There are currently 70 products on the FDA drug shortage list, and almost 80% are generic injectables. It appears that FDA lists only 17 generic injectable drug shortages *resolved* since the beginning of 2010, so the problem appears persistent and worsening. This creates a tremendous opportunity for a company like Sagent to capitalize on the shortages with its emphasis on ultra high quality control systems and low cost supply access.

Concentrated Customers With Higher Loyalty

The market for generic injectables primarily comprises hospitals, alternate healthcare channels (including clinics, surgery centers, oncology clinics, dialysis centers, home care, etc.), and the government. The hospital acute-care market (largest segment) almost *entirely* purchases injectables through Group Purchasing Organization (GPO) agreements. Only a handful of GPOs (5-6) supply >95% of the hospital market. Alternate channel purchasing (smaller but faster growing than hospitals) also tends to purchase through specialty GPOs and distribution agreements. Drug manufacturer agreements with GPOs tend to be high-touch and multi-year in nature. Given the critical nature of most of these medications, and concerns about quality and reliability of supply, GPOs are generally committed to only a very small number of manufacturers (often just one).

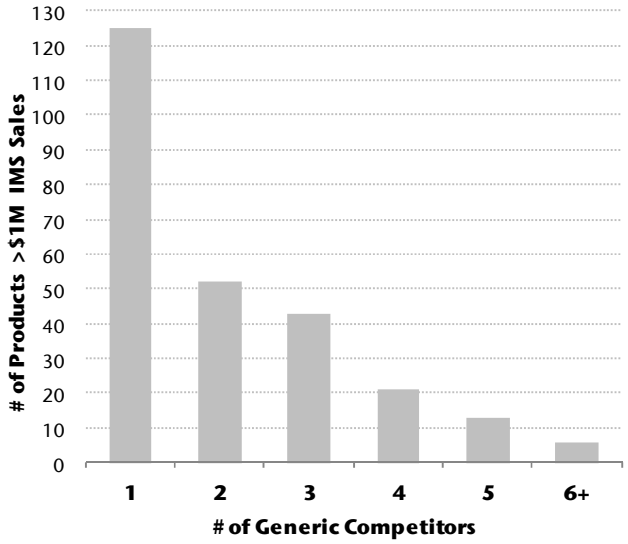
Intuitively, supply problems in the industry would seem to suggest GPOs should widen agreements to include as many manufacturers/competitors as possible (and also consequently lower prices), but in fact, reliable supply comes when manufacturers have firmer/longer/more predictable customer demand. As such, GPOs tend to stick with injectable suppliers who can reliably get the job done, so there is less of a price-driven "race to the bottom" then in the *oral* generics business. This concentration of GPO contracting dramatically limits access/market penetration of would-be competitors.

Limited Competition: Better Pricing, Stable Volumes, and Longer Product Cycles

The hurdles described above have resulted in a much less competitive environment than for oral generics. Less competition means *better* pricing (but *better* is still a relative term since even in injectables it can be fierce), more stable volumes, longer product cycles, and hence better margins. Based on Q1'11 IMS sales data, we estimate that generic injectables only have 2-3 meaningful and active competitors on average – depending on which product. The larger products (annualizing at >$10M IMS sales) average ~3 competitors, and the smaller products ($1M-$5M annual sales) average closer to 2 competitors. Note that even where there are several generic injectable competitors for a molecule, due to contracting concentration, there tends to still be one or two *dominant* players. Interestingly, about 50% of the smaller products have only one supplier, and even with the larger opportunities, it appears still ~30% are sole-source. Note that we're pointing to *active* and *current* competitors; for many of these molecules there have been additional players that have been in the markets but then withdrawn for one reason or another (profitability, supply issues, manufacturing quality issues with the FDA, etc.). This competitive landscape is much more attractive than with the oral generics, where there are >7 competitors on average for meaningful products.

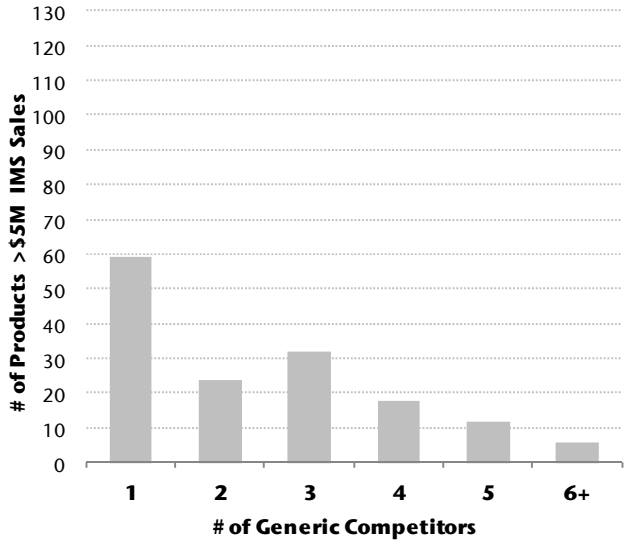
Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Chart 2: 50% of Small Products Are Sole-Source



Source: IMS

Chart 3: Even Larger Products Have Limited Competition



Source: IMS

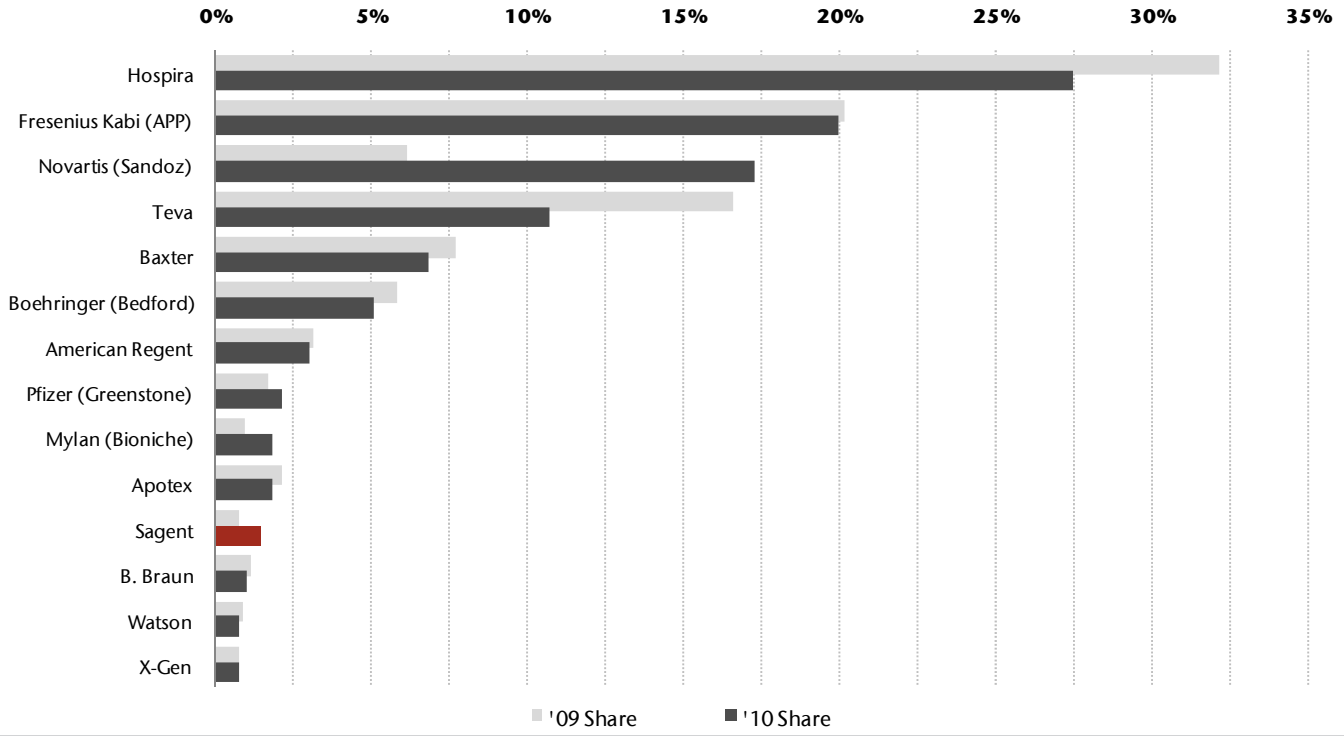
With fewer competitors, and more *responsible* (in terms of pricing) competitors, pricing tends to be more rational than in oral generics. For key Sagent product drivers, we generally estimate the first-year price erosion will average ~50% (with wide variation on product-by-product basis) even with multiple competitors in the market. For oral generics, with five or more competitors, you would expect pricing erosion of easily 90% or worse.

We count 14 meaningful generic injectable competitors, but about 75% of sales are captured by the top four players: Hospira (HSP, $54.30, NC), APP (acquired by Fresenius Kabi, Sandoz (unit of Novartis [NOVN:VX, CHF54.05, Buy]), and Teva (TEVA, $50.53, Hold), from its acquisition of Sicor several years ago). Note that even Sandoz wasn't traditionally close to the top three, but leapt up in 2010 due to the launch of generic Lovenox (partnered with Momenta [MNTA, $19.68, NC). Hence, it's more like three big players.

As can be seen in the chart below, Sagent was among the small players in '10, but note that it had the largest year-over-year share gain vs. anyone besides Bioniche (acquired by MYL [MYL, $23.24, NC]) and Sandoz. With Sagent's ANDA pipeline starting to crest, it should continue to climb the ranks.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Chart 4: Generic Injectables Market Share; Top-Heavy



Source: IMS

Sagent's Differentiation

Sagent's goal is to maintain as lean a cost infrastructure as possible while being a reliable supplier of a broad product portfolio and maintaining compliance with the highest FDA manufacturing quality standards.

The name of the game for any generic company is to offer as large a product portfolio as possible. Although Sagent gave up gross margin to do so, because of its extensive partnerships, it has a very large product offering – especially relative to its size. It has 24 products on the market already and should have dozens more in a few years. Unlike most of its competitors' approach of in-house development and manufacturing, Sagent has aggressively pursued worldwide partnering with third-parties for all aspects of the business (development, finished product manufacturing, & API sourcing). Sagent leverages these extensive international relationships (for example it was an early China and India "adopter") to be a flexible low-cost supplier, yet it maintains strict oversight, and is involved in all aspects of, quality assurance and facility compliance. The partnering model gives Sagent access to a deeper ANDA pipeline than its competitors. Sagent leverages its long-standing U.S. sales and marketing relationships to box above its weight, and compete effectively with much larger generic competitors. The proven sales success allows Sagent to remain a partner of choice for international developers and manufacturers.

Relevant To Customers

Portfolio Breadth

Given that a handful of GPO's and distributers cover the *vast* majority of end-users (Hospitals, etc.), it's critical to present a broad product offering for the most flexibility in

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Table 4: Current Portfolio

Class	# Products	% LTM Sales
Anti-infective	12	44%
Acute Care	5	41%
Oncology	7	16%
	24	100%

Source: Company Reports

Table 6: Relative Portfolio Size

	Company	# Products
1	Hospira	149
2	Fresenius Kabi (APP)	120
3	Baxter	74
4	Boehringer (Bedford)	70
5	Novartis (Sandoz)	50
6	American Regent	48
7	Teva	44
8	**Sagent**	**24**
9	Mylan (Bioniche)	18
10	B. Braun	16
11	Watson	8
12	X-Gen	8
13	Apotex	7
14	Pfizer (Greenstone)	4

Source: IMS

contracting. As of May 2010, Sagent markets 24 products, across three therapeutic classes (acute care, anti-infectives, and oncology) and in all dosages/presentations. While Sagent ranked 11th in 2010 generic injectables *sales*, its 24 products (up from 14 a year ago) make it the 8th largest portfolio. Further, Sagent expects to launch another 14 products through 2011, and expects approval of most of its 39 products already on file over the next two years.

Table 5: Current Portfolio Sales

(in millions)	Q1'10	Q2'10	Q3'10	Q4'10	2010	Q1'11
IMS Sales	$9.4	$10.4	$17.6	$29.1	**$66.4**	**$34.5**
SGNT Reported	$8.6	$10.6	$21.3	$33.6	**$74.1**	**$30.3**
			Heparin & Topotecan Inventory Stocking			Inventory Work-through

Product Detail	Q1'10	Q2'10	Q3'10	Q4'10	2010	Q1'11
Heparin	$0.0	$0.0	$5.0	$13.8	**$18.8**	**$13.1**
Topotecan	$0.0	$0.0	$0.0	$0.9	**$0.9**	**$5.9**
Cefepime	$3.3	$3.8	$5.5	$5.1	**$17.7**	**$4.4**
Azithromycin	$1.1	$0.9	$0.8	$1.1	**$3.9**	**$1.9**
Adenosine	$1.1	$0.9	$0.8	$1.3	**$4.1**	**$1.3**
Epirubicin	$0.1	$0.1	$0.2	$0.8	**$1.3**	**$0.9**
Ceftriaxone	$0.6	$0.6	$0.6	$0.6	**$2.4**	**$0.8**
Cefazolin	$0.8	$0.8	$0.8	$0.6	**$3.1**	**$0.7**
Fluconazole/NS	$0.4	$0.5	$0.5	$0.6	**$2.0**	**$0.7**
Fludarabine	$0.2	$0.3	$0.4	$0.5	**$1.3**	**$0.7**
Ceftazidime	$0.7	$0.7	$0.6	$0.7	**$2.7**	**$0.7**
Vinorelbine	$0.1	$0.3	$0.8	$0.8	**$2.0**	**$0.5**
Cefoxitin	$0.2	$0.3	$0.4	$0.5	**$1.4**	**$0.5**
Ampicillin/sulbac.	$0.0	$0.0	$0.0	$0.5	**$0.5**	**$0.5**
Ampicillin	$0.0	$0.0	$0.0	$0.2	**$0.2**	**$0.3**
Ciprofloxacin	$0.3	$0.4	$0.4	$0.4	**$1.6**	**$0.3**
Granisetron	$0.0	$0.0	$0.0	$0.0	**$0.0**	**$0.3**
Bacitracin	$0.0	$0.0	$0.0	$0.1	**$0.1**	**$0.2**
Pamidronate	$0.0	$0.1	$0.2	$0.2	**$0.5**	**$0.2**
Cefuroxime	$0.2	$0.2	$0.1	$0.1	**$0.6**	**$0.1**
Amiodarone	$0.1	$0.3	$0.2	$0.2	**$0.8**	**$0.1**
Metoprolol	$0.0	$0.0	$0.0	$0.0	**$0.0**	**$0.1**
Mesna	$0.0	$0.0	$0.0	$0.0	**$0.0**	**$0.1**
Labetalol	$0.0	$0.0	$0.2	$0.2	**$0.3**	**$0.1**
Sumatriptan	$0.0	$0.0	$0.0	$0.0	**$0.0**	**$0.1**
Metronidazole	$0.0	$0.1	$0.0	$0.0	**$0.1**	**$0.0**
Ondansetron	$0.0	$0.0	$0.0	$0.0	**$0.1**	**$0.0**

Source: IMS

Differentiated Products – Every Little Bit Helps

In addition to climbing the ranks in terms of number of drugs offered, Sagent also differentiates itself with a wide range of product presentations. Sagent offers vials, pre-filled syringes, and premixed bags. The only other competitors that offer that selection are Hospira, Sandoz, and Teva – all *much* larger companies. Even APP, with the second highest 2010 generic sales only has vials/ampoules. With an increasing hospital focus on compliance *and* convenience, we believe Sagent's ability to provide alternative dosage forms (often higher margin) gives it a leg up on the competition.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Table 7: Sagent Covers All the Dosage Bases

Company	IMS '10 Sales (M)	Product Delivery: Prefilled Syringe	Product Delivery: Bags/ IVPB	Product Delivery: Vials/ Amp
Hospira	$1,246	Yes	Yes	Yes
Novartis (Sandoz)	$784	Yes	Yes	Yes
Teva	$486	Yes	Yes	Yes
Sagent	$66	**Yes**	**Yes**	**Yes**
Fresenius Kabi (APP)	$906	No	No	Yes
Baxter	$309	No	Yes	Yes
Boehringer (Bedford)	$231	No	Yes	Yes
American Regent	$137	No	No	Yes
Pfizer (Greenstone)	$96	Yes	No	Yes
Mylan (Bioniche)	$83	No	No	Yes
B. Braun	$47	No	Yes	No
Watson	$34	No	No	Yes
X-Gen	$34	No	No	Yes
Apotex	$82	No	No	Yes

Source: IMS

Sagent also strives to differentiate its products with proprietary labelling and packaging, called "PreventIV", with hospital medication errors having gained more attention lately, and liability always being a concern. Sagent has designed a scheme to consistently distinguish look-alike/sound-alike drugs and to distinguish different doses. As can be seen below, Sagent's cefepime packaging is more discernable than APP's. While it might not seem like a lot to have larger numbers for the different doses, certain buyers we have spoken to confirm that all else being equal, better labelling helps.

Exhibit 1: Sagent's Superior Labelling/Packaging vs. the Competition

Source: Sagent Product Catalogue

Source: APP Product Catalogue

Deep Customer Relationships

Sagent has a particularly experienced and proven sales and marketing team, especially for a "start-up". The ~28-person team (21 reps) has considerable experience in the generic injectable business, and long-standing relationships with the individuals that matter at the GPOs (covering >95% of the hospital market), alternate site channels, and wholesale and specialty distributers. Sagent reps average >25 years experience within their geographies,

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

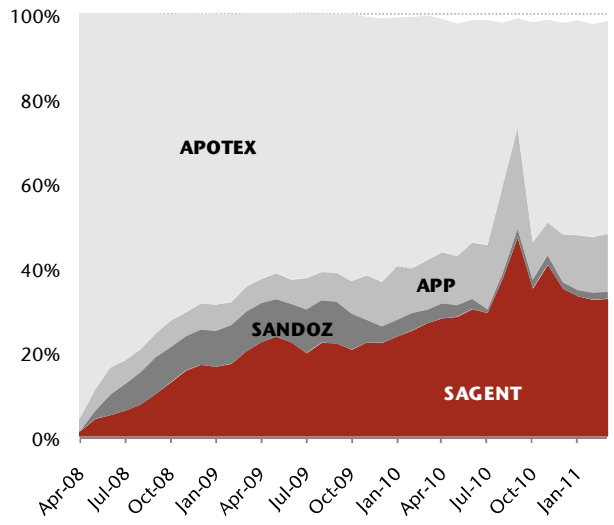
and contracting personnel have >30 years. Sagent's executive ranks also include former GPO management. Sagent's strong web of relationships, along with its low-cost/high-quality reliable supply, has allowed it to successfully secure market share vs. larger competitors. Note that beyond multi-year GPO contract commitments, Sagent's relationships should allow it to get business in off-contract scenarios (GPOs tend to reserve 10-15% of their business for *discretionary* purchasing).

Without any significant expansion of sales & marketing overhead, we believe Sagent should continue to effectively compete – hence all new products' gross profits drop straight to the pretax line. The company should be able to support up to $500M sales (from the current ~$120M run-rate) with essentially the current sales/marketing infrastructure. Note that Q1'11 sales were up ~250% with SG&A up only 19%.

Key Products: Examples of Sales & Marketing Wins

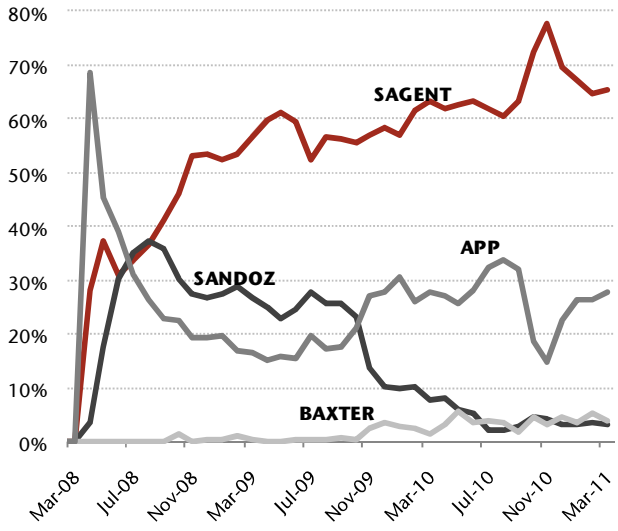
Below we highlight a few Sagent product launches that demonstrate its ability to compete effectively with the larger players. Note that all "market share" figures are based on IMS sales. We recognize that IMS sales data, particularly for generics, are overstated as it often fails to capture the gross/net discounting. However, note that to date IMS sales have relatively accurately reflected actual Sagent sales because Sagent tends to do less behind-the-scenes rebating, etc. (the sticker price is what their customers pay). Thus, assuming competitor IMS sales data are more overstated than Sagent's, if anything, our SGNT market share figures below are actually understated.

Chart 5: Cefepime: Share of Generic IMS Sales



Source: IMS

Chart 6: Cefepime: Newcomers' Share of Generic Sales



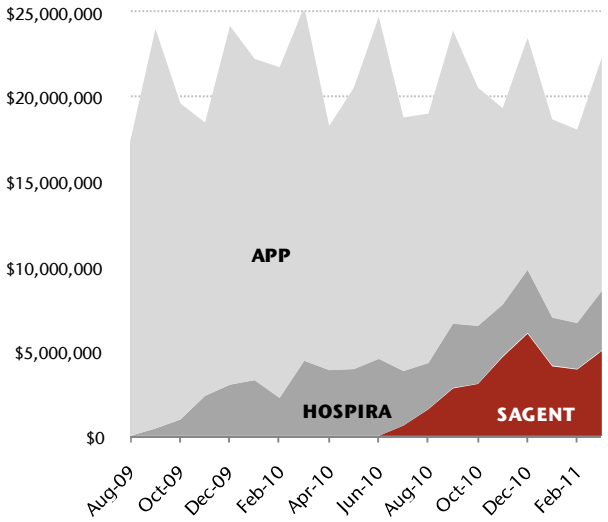
Source: IMS

Cefepime (above): Sagent, APP, and Sandoz all entered with cefepime (generic Maxipime) space in April 2008. At the time, Apotex was the only generic supplier. All three new competitors had the *same product* from the *same manufacturer*, and obviously both APP and Sandoz were much larger players than Sagent, with plenty of existing GPO contracts. Nevertheless, Sagent quickly secured more market share than both, and most recently had 33% molecule share of IMS monthly sales (March '11). Of the ~50% share that all post-Apotex entrants have secured, Sagent has captured by far the most with ~65% now vs. the nearest competitor, APP, at ~28%. Notably, the most recent entrant, Baxter, was only able to snatch 1.2% molecule sales share, and overall volumes have been flat, so this should be a stable – or even *growing* – revenue contributor for Sagent.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

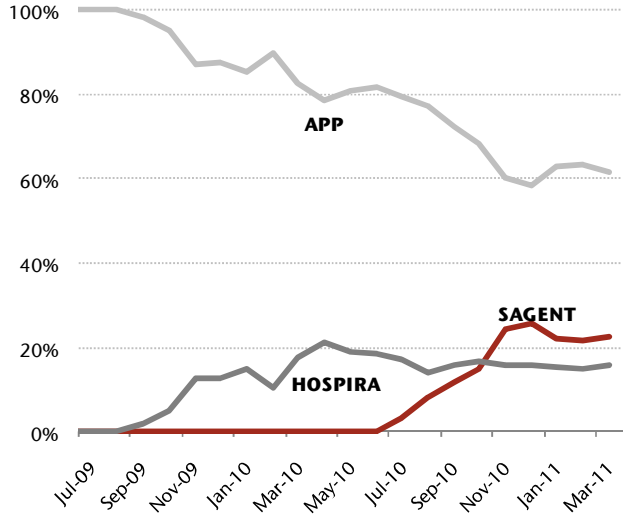
Cefepime IMS sales were ~$4.4M in Q1 (or ~15% of Sagent total sales), and with sales flattish in '11 at ~$17.5M, it should still represent a healthy 10-11% of $161M revenue.

Chart 7: Heparin: Combined Monthly IMS Generic Sales



Source: IMS

Chart 8: Heparin: Share of Generic IMS Sales

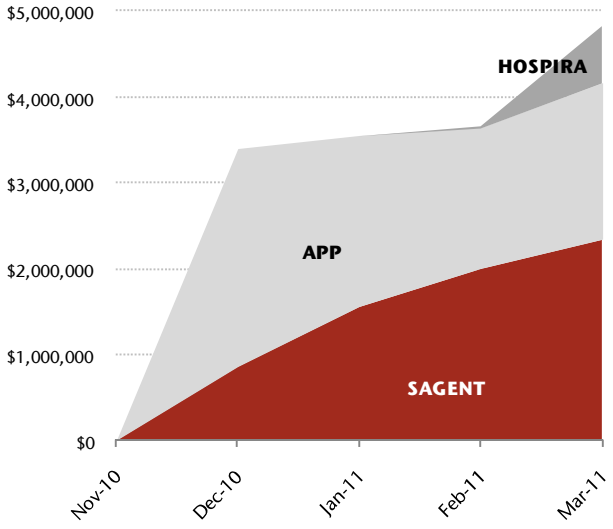


Source: IMS

Heparin: In 2008, APP became the only generic Heparin supplier to the U.S. market after Baxter had to pull out for product contamination issues in February 2008. There were 19 deaths actually attributed to Baxter's contamination, that eventually was traced back to the pig farms in China where the raw material was being processed. Hospira then entered the market in September '09, but was supply constrained. Sagent didn't come to market until 10 months later (July '09), yet it was still able to carve out substantial market share against the two heaviest hitters in the generic injectables market. Sagent surpassed Hospira within 5 months of launch, and most recently has almost 23% monthly IMS sales share (vs. Hospira's ~16%). The scarcity of raw material (the crude sources also supply the low-molecular-weight heparin market, mostly Lovenox and its generics) should make it difficult for additional competition to gain substantial share in the near future. Sagent's IMS Q1'11 heparin sales were >$13M or ~43% of sales, and it is running at ~$55M annualized IMS sales. We expect Heparin to remain an important revenue contributor for Sagent going forward.

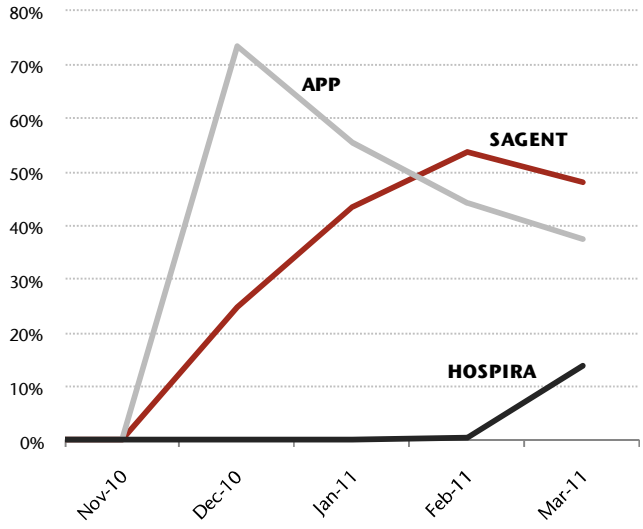
Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Chart 9: Topotecan: Combined Monthly IMS Generic Sales



Source: IMS

Chart 10: Topotecan: Share of Generic IMS Sales



Source: IMS

Topotecan: Sagent's most recent significant launch was generic topotecan (Hycamtin), which went off patent in November, 2010. Both Sagent and APP launched in December, 2010. APP's scale and contracts allowed it to initially grab the most generic share with 74% for the month of December, but Sagent caught, then surpassed, APP in IMS sales share within 3 months (SGNT 54% to APP's 44%). Hospira has since entered the market (in February, 2011), but had taken only 14% share by March (taken equally from both Sagent and APP). While Hospira will likely continue to gain share, some believe APP may be exiting the market for a while, so SGNT's share should remain strong. Apparently there is a fair amount of wholesaler inventory in the channels, so we're not sure if reported sales will track IMS "demand" sales, but the latest IMS March sales annualized *run-rate* was >$24M, making it Sagent's second largest product behind heparin. We *conservatively* model 2011 sales of only $15M, declining thereafter.

Partnerships – A Critical Element of the Business Model

Sagent's strength is its vast network of global collaborations (48 at last official count), which provide a tremendous advantage in terms of API sourcing, product development, finished product manufacturing and business development opportunities. This also allows Sagent to be somewhat of a virtual generic company with very low fixed cost overhead, since it does none of its own manufacturing (neither API nor finished product). Many of Sagent's partnerships were forged from long-standing relationships of senior management with generic players in other parts of the world (particularly in China and India, where CEO Jeff Yordon has been doing business since the 1970's). As of December 31, 2010, Sagent had 15 partners in Europe, 12 in China, 9 in the Americas, 8 in India, and 4 in the Middle East. We highlight some of Sagent's more significant partnerships below.

KSP is Sagent's partner for Chengdu

Kuwait Saudi Pharmaceuticals (KSP) -- partner in China JV, Chengdu. In December 2006, Sagent began a 50/50 JV with KSP to build and operate a state-of-the-art, FDA approvable, cGMP, sterile manufacturing facility in Chengdu, China. The Chengdu facility became functional in April 2011 (but not yet making actual product since inspections aren't expected until 2012), and this ultimately will provide Sagent with

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

finished products (injectable vials and pre-filled bags) on an exclusive basis, and may also provide third-party manufacturing for other interested parties. In addition, according to Chinese regulations, once the facility is FDA-approved, any products sold out of the facility are eligible for a 30% mark-up in the local Chinese market, a premium that is afforded by simple virtue of the facility being up to US standards. We note that all current products being worked on at Chengdu are those that are currently listed on the FDA's Critical Shortage List. We believe this could give FDA an impetus to inspect the facility sooner rather than later.

Sagent sells Strides' generic injectable products in the US

Strides (India). In January 2007, Sagent formed a 50/50 joint venture (JV) with Strides, a fully integrated generic pharmaceuticals company, with capabilities for API manufacturing, R&D, and finished product manufacturing of all types of liquid, lyophilized, oncology and prefilled syringe compounds. Strides has 13 total facilities, and Sagent utilizes three. Via the JV, Sagent sells a portfolio of Strides' generic injectables into the U.S. Since the initial agreement was signed in January 2007, Sagent and Strides have entered into an additional number of agreements relating to distribution, manufacture, supply and quality. As of December 31, 2010, these agreements covered a total of 22 different products represented by 29 ANDA filings. As of December 31, 2010, one product was in initial development, 11 products were ANDAs under review by the FDA, six products had been approved by the FDA and four products had been launched by Sagent. Overall, the partnership with Strides is a mix of contract manufacturing for Sagent at a straight transfer price, and a JV partnership with a 50/50 profit split depending on the product. From an accounting standpoint, Sagent books all end-user sales and then pays Strides out through its COGS line.

Sagent sells all of Actavis' generic injectables in the US

Actavis (Iceland). In April 2009, Sagent entered into a development, manufacturing and supply agreement with Actavis (one of the largest generic pharmaceutical companies globally) to become its exclusive U.S. marketing partner for a portfolio of specialty injectable products. Actavis has 18 manufacturing facilities, two of which (Romania and Italy) support Sagent. As of December 31, 2010, this agreement covered eight Actavis products, six of which are currently, one product under FDA review, and one in initial development. We expect Sagent and Actavis to further amend their agreement to include additional Actavis products in the future. The deal between the companies is based on a transfer price/profit model, and for the year ended December 31, 2010, net gross profit for Sagent from Actavis products ranged from 6% to 44%. As with Strides, Sagent books all of the enduser sales as revenue and pays Actavis out through its COGS line. As the mix shifts in coming years to products from deals that were signed later in its development as a company, Sagent's corporate gross margin gets better since Sagent pays its partners less.

Dobfar supplies cephalosporin products and some of Sagent's other anti-infectives

ACS Dobfar (Italy). Sagent began its relationship with Dobfar, a leading supplier of both API and finished dosage forms of cephalosporin, in 2006. In addition to a December 2007 manufacture and supply agreement for the development, manufacture and supply of several presentations of cefepime, the companies collaborate on eight other currently marketed products (all antibiotics – ampicillin, ampicillin/sulbactam, cefazolin, cefoxitin, ceftazadime, ceftriaxone, ciprofloxacin, and fluconazole) and additional products under early development. For the year ended December 31, 2010, net gross profit from Dobfar products ranged from a negative 12% to a positive 47%. We note that products from this collaboration contributed to 59% and 45% of Sagent's total revenue in 2009 and 2010, respectively.

Gland is Sagent's exclusive supplier of heparin

Gland (India). In June 2008, Sagent signed an agreement to jointly develop heparin with Gland (a leader in heparin technology for 25 years), with Gland agreeing to become the exclusive supplier of the heparin product that Sagent began selling in the US in 2010. Sagent pays a transfer price for each unit of heparin supplied under the agreement, plus a

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

percentage of the net profit from the sales of heparin. In addition, each party agreed to share the cost of development activities equally up to a specified amount. The initial term of the agreement is eight years. In addition, Sagent has agreements for two other currently marketed products (adenosine and amiodarone) and additional products currently under initial development. Products from the Gland collaboration contributed to 14% and 33% of Sagent's total revenue in 2009 and 2010, respectively.

An early investor, we expect Hisun to evolve into a very significant partner

Hisun (China). Hisun, established in 1956, is one of the world's largest producers of API material, and has been a major supplier of oncology API over the past 10 years. In April 2010, Hisun made a $10MM investment in Sagent through a Series B round of financing. In the process, Sagent gained expanded access to Hisun's extensive portfolio of API and also to Hisun's finished injectable product capabilities. As background, Hisun is providing KSP active pharmaceutical ingredient for KSP's new product development. Given that KSP is Sagent's partner for its new Chengdu facility in China, we expect Hisun to become a much bigger partner in the future.

Quality Assurance & Facility Compliance

Sagent's primary competitive advantage centers on a *partnering* business model – allowing low-cost and flexible sourcing and manufacturing – absolutely requires that they can maintain the highest quality assurance (QA) and facility compliance (FC) standards across organizations and facilities. Obviously, FDA has had particular concerns about many foreign manufactured drugs, with India and China making headlines (e.g., Baxter's heparin, Ranbaxy's major manufacturing shutdown), so Sagent must exercise caution when selecting vendors, then be actively involved in ensuring continuing U.S. cGMP compliance and in authorization of product distribution.

Sagent's team is comprised of eight employees, which will grow with additional ANDA approvals and launches. The in-house personnel have already qualified at least 80 sites (25 contract manufacturers, 36 API suppliers, and 19 others). Sagent imposes its own quality control systems/requirements, is involved in FDA inspection preparations, and continually evaluates cGMP compliance through audits, etc. Sagent's partners have faced two FDA inspections (most recently in 2010), and received *zero* 483 observations. In addition to facility validation and compliance oversight, Sagent QA must authorize all finished product lot shipments – as per the agreements with all of its partners. All partnered manufactured products are only released to customers through Sagent's own domestic distribution center (Memphis, TN) after satisfying Sagent's own QA criteria.

Since inception, Sagent *has* voluntarily recalled three products. In May-June 2010, Sagent recalled metronidazole and ondansetron manufactured by Claris (CLAR:IN, INR176.6, NC) – a supplier it had *already* determined would be terminated going forward. More recently, in March 2011, Sagent recalled amioderone pre-filled syringes, due to connection incompatibility with Clave needless IV devices, which was an issue known to the FDA and also affected Teva, Baxter, Wockhardt, and Gland.

Sagent's Pipeline: Ready to Be Uncorked

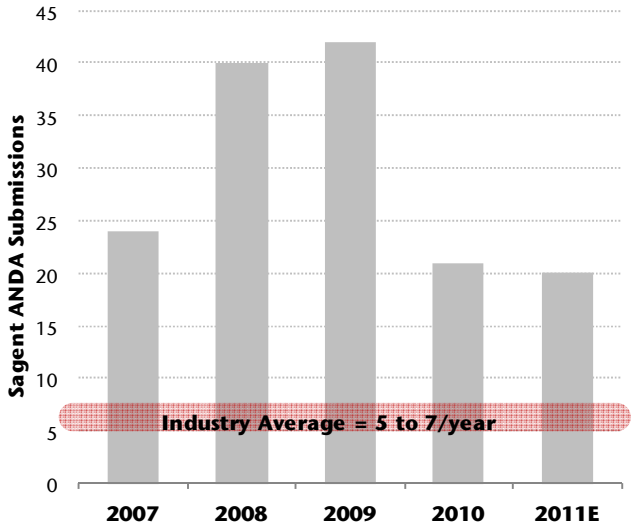
With Sagent's unique partnering-centric business model, it has been able to very quickly build an enviable ANDA pipeline. The last few years, Sagent has filed way more ANDAs and launched on more products than its competition, and is sitting on what should be by far the largest pile of late-cycle ANDA reviews at FDA. To date, Sagent has in-licensed and/or filed 131 ANDAs. Sagent filed 41 ANDAs in 2008, 42 in 2009, and 21 in 2010, and plans to file >20 ANDAs in 2011. These are *well* above the industry average 5-7 per year

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

(which is limited by in-house development capacity). Sagent's submissions comprise both 'in-house' products (Sagent or Sagent/Strides JV) and in-licensed products.

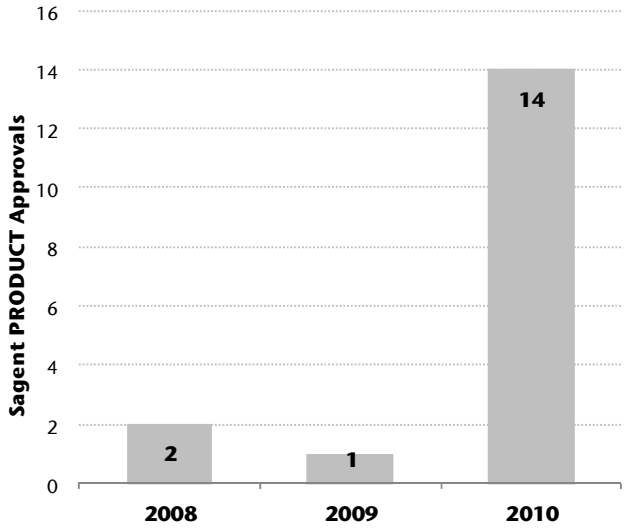
Historically, Sagent's review FDA time (filing to approval) has averaged ~22 months, vs. the industry median 31 months in 2010. We believe Sagent's average review times will lengthen as well due to the general FDA backlog, but the company expects to remain under industry norms as it focuses on high-quality ANDA filings and many products on critical shortage.

Chart 11: Sagent's High ANDA Submission Volume



Source: Company Reports

Chart 12: FDA Approvals Now Really Rolling in

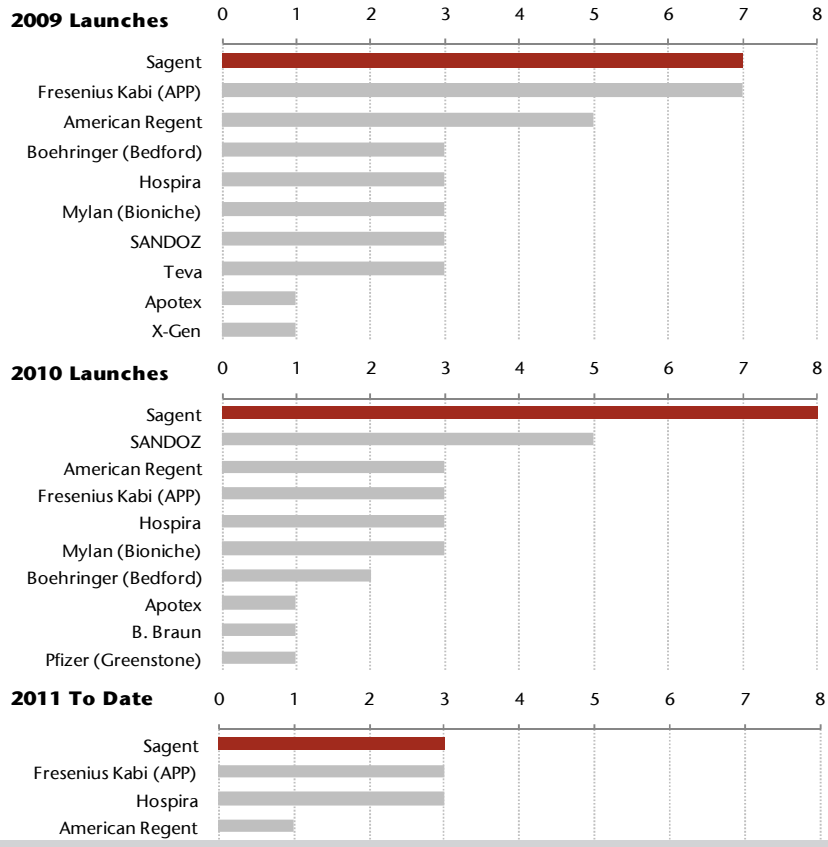


Source: Company Reports

Per IMS sales data, Sagent has launched more generic injectables in the last few years than all of the competition. Sagent has launched 18 products since the beginning of 2009 (7 in '09, 8 in '10 and 3 already in '11 *before* Zosyn). APP is the nearest competitor at 13.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Chart 13: Sagent Has More New Products to Market Than All Competition



Source: IMS

Current Pipeline

39 products (69 ANDAs) under review at FDA. 52 ANDAs in development

The large group of ANDAs submitted in 2008-2009, represents a potential wave of near-term FDA approvals. Sagent has 69 ANDAs, representing ~39 *products* pending at FDA. ~25 of these products have already or will shortly hit the 31-month median generic review time. Sagent expects ~14 new launches this year, and that most of the remainder of the already-filed pipeline will be approved within two years. Sagent also has another 52 ANDAs in development.

For competitive reasons (concentrated and long-term product contracting) Sagent keeps the contents of its pipeline secret. The only disclosed near-term opportunities are gemcitabine (generic Gemzar) and the just-approved piperacillin/tazobactam (generic Zosyn), but there are numerous other obvious targets that are either large existing generic markets or smaller opportunities with limited current generic competition, or expiring patent exclusivity coming. For example, oxaliplatin (generic Eloxatin) is an obvious target, with 4-5 generic competitors in the market but generic IMS sales running at ~$600M annual sales (likely overstated given rebates, etc., but still very large). An example of a smaller yet underpenetrated opportunity is nafcillin (generic Nallpen), which only has one generic supplier (Sandoz) with IMS sales running at ~$50M annual sales. Other tantalizing opportunities that jump out at us are Venofer (with >$500M IMS sales, yet no remaining Orange Book exclusivity and no generic iron sucrose approvals yet) and Zometa (~$700M IMS sales and patents expiring early '13).

Filed ANDAs could provide $240M incremental revenue by 2013

All in, Sagent's ~40 pending products – spanning across acute-care, oncology, and anti-infectives – likely easily addresses >$5B in current market sales (combined brand and

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

generics). Each product will have its own circumstances, but to simplify: Conservatively assuming targeted $5B in current brand-equivalent sales, 80% generic erosion, 60% price erosion, and Sagent getting 15% market share... that equates to SGNT having ~$240M incremental revenue by 2013. We currently model 2013 revenue of $351M with ~$140M coming from already-approved/launched products, and ~$210M from the pipeline.

Key Near-Term Launches:

Gemcitabine: Sagent has tentative approval (through Actavis partnership), and expects to launch upon patent expiration July 25, 2011. Generics already entered the market in November 2010, and there are currently three competitors (Sandoz, Hospira, and APP – in descending order of market share) with an IMS sales run-rate of ~$400M. Teva, Watson (WPI, $63.89, NC), and Sun (SUNP:IN, INR478.5, NC) also could come to market along with Sagent. Assuming additional price erosion, and SGNT getting 10% share, we envision gemcitabine being an ~$30M product for Sagent in 2012 ($15M in 2011). That would make it Sagent's second largest revenue contributor behind Heparin, but at likely gross margins around 30% (vs. heparin's ~15%), gemcitabine would be the largest single profit driver in '12.

Zosyn: Sagent just received final approval (through its Aurobindo partnership) on May 23, 2010, and intends to launch this summer. IMS sales for the vial formulations is running at ~$300M now, with the brand, and three generics (Apotex, Hospira, and Sandoz) already competing. Interestingly, in this market, Pfizer (PFE, $21.00, Buy) has managed to maintain ~90% of the market. We expect Sagent to capture ~20% generic units share and total generic erosion to increase to ~25%. That would make Zosyn an approximate $15M product for Sagent in 2012 (we estimate slow uptake over the summer, so only a $4M contribution in '11). We expect likely high-20%'s GM, helping raise Sagent's overall GM rate above the current level.

KEY MODEL DRIVERS & ASSUMPTIONS

Revenue Growth

33% 2011-2015 Revenue CAGR

We project substantial growth across revenue, gross margins, and operating margins, leading to impressive earnings growth. With an industry leading generic injectable pipeline: 39 products already filed (~25 past 30-months review), plus another 52 ANDAs in development, plus the ability to partner/in-license countless more, we project sustained strong revenue growth. 2010 sales of $74M was up 153% y/y, and Q1'11 has the year already running at $121M *before* the expected launches of gemcitabine and Zosyn. With a full-year benefit of heparin, topotecan, and new launches, we project 2011 sales of $161M (up 118%). The quantity of '08 and '09 ANDA filings should provide many new launches through '12 and '13, hence we model revenue climbing another 52% and 43% to $246M and $351M, respectively. Unlike the traditional *oral* generics business, due to the barriers to entry and limited competition, product revenues tend to be relatively stable. That, plus the fact that Sagent is not necessarily focused on first-to-market opportunities, results in no one-time revenue boluses for new launches. Barring market disruptions, new launches should lead to steadily increasing accumulating sales rather than just replacing steeply declining revenues from previous launches.

Gross Margin Expansion

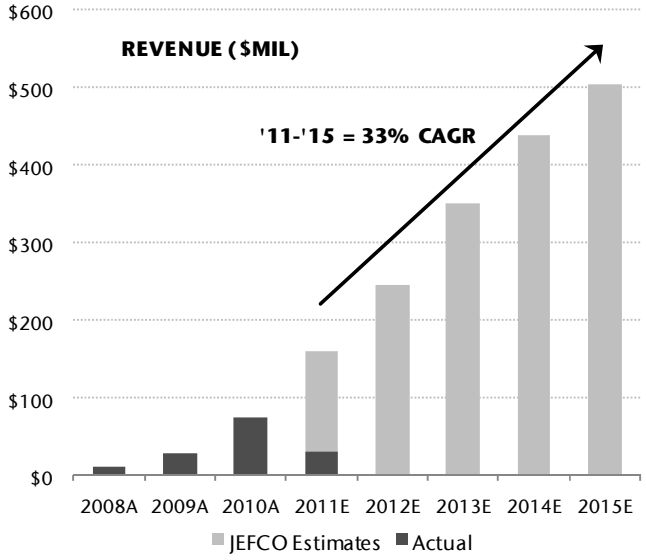
GM Expansion from 12% in 2010 to 37% by 2014

Sagent has had very low GM to date as it was focused on building an initial portfolio footprint rather than maximizing profitability. However, as it gains scale with and launches of newer higher margin products, we expect GM to expand quickly. Existing product COGS are being lowered through restructuring of existing partnership terms, API sourcing flexibility, and eventually through transitioning to alternate lower-cost manufacturing for select products. New products will have higher gross margins due to:

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

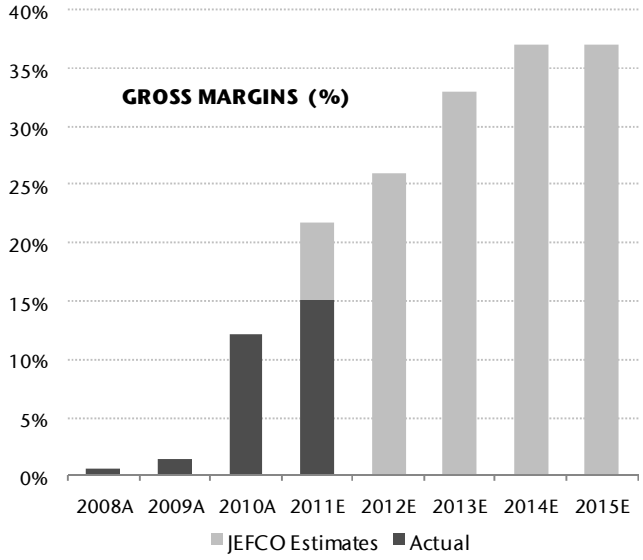
1) more favorable partner terms, 2) monetization of in-house developed products, 3) launching on higher barrier-to-entry, lower-competition products, 4) sometimes bringing higher-margin alternative delivery forms to market (premixed bags, etc.) 5) launching earlier in the genericization cycle for products (at/near patent expiration; sometimes as first-to-market). GM was 15.1% in Q1'11, and we model in growing sequentially; with full-year 2011 at 22%, '12 at 26%, '13 at 33%, and 37% thereafter.

Chart 14: Dramatic Revenue Growth



Source: Company Reports, Jefferies Estimates

Chart 15: Gross Margin Expansion



Source: Company Reports, Jefferies Estimates

Operating Leverage:

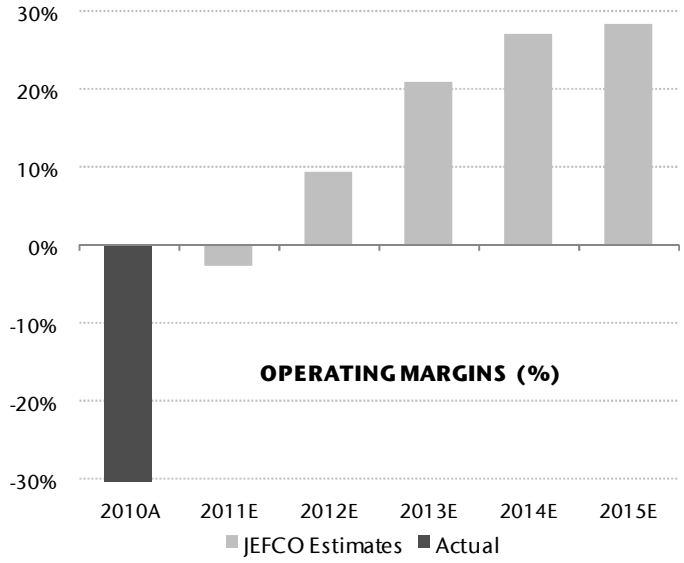
Given the structure of the generic injectables market, we do not believe that the rapid and substantial revenue growth will require significantly increased investment in sales and marketing. Sagent's team of very experienced representatives and contracting personnel already has the necessary relationships across all key channels (particularly GPOs). Thus, it's more about the portfolio breadth and negotiation than it is about boots on the ground. Note that Sagent's '10 sales were up >150% with SG&A up only 14%, and Q1'11 sales were up >250% y/y with SG&A up only 19%. SGNT believes it could support up to $500M sales (from the current ~$120M run-rate) with essentially the current sales/marketing infrastructure. We model only single-digit percentage increases going forward. We model R&D picking up ~30% y/y in '11 (with utilization of IPO proceeds to expand the pipeline), then ~10% a year through '13 (single-digit growth thereafter). All-in, with expanding gross margins, and *relatively* fixed infrastructure and modest OPEX growth, we project operating margin breakeven in Q3'11 to quickly climb to 9.5% in '12, 21.0% in '13, 27.2% in '14, and 28.4% in '15.

EPS Growth:

We model EPS-breakeven in Q3'11, then rapid growth thereafter. Full-year '11 EPS of ($0.43) climbs to $0.58 in '12, $1.60 in '13, $2.51 in '14, and $2.94 in '15. This is a 72% '12-'15 EPS CAGR and 36% '13-'15 CAGR.

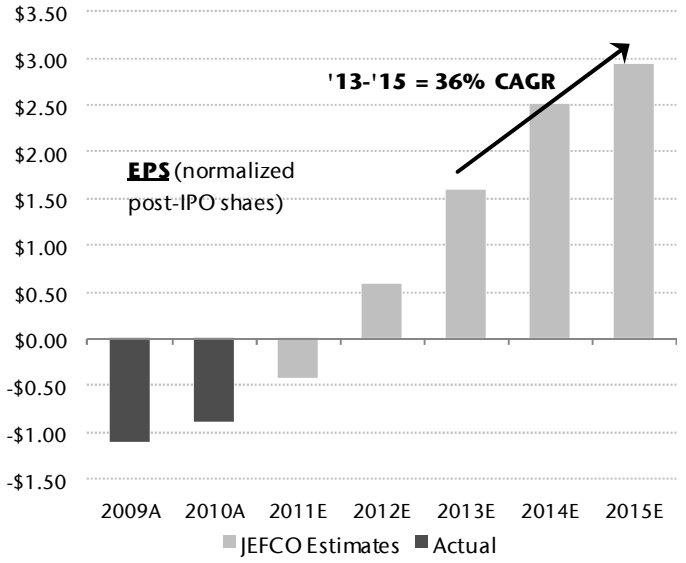
Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Chart 16: Operating Margin Expansion



Source: Company Reports, Jefferies Estimates

Chart 17: Steep EPS Growth



Source: Company Reports, Jefferies Estimates

Management Bios

Jeff Yordon – President, Chief Executive Officer and Chairman of the Board

Mr. Yordon has served in his current roles since April 2006. Prior to joining Sagent, from February 1996 to March 2006, Mr. Yordon was Chief Strategic Officer, Co-Chief Operating Officer and President of American Pharmaceutical Partners (now known as Abraxis Pharmaceutical Products) and was a member of its board of directors. Prior to that, Mr. Yordon held the positions of: President of Faulding Pharmaceuticals plc; Executive Vice President of Gensia Laboratories; President and Chief Executive Officer of YorPharm and Executive Vice President and President of LyphoMed, Inc. Mr. Yordon has served as chairman of the board of directors of Pharmaceutical Partners of Canada and Drug Source Company and member of the board of directors of the Drug, Chemical & Associated Technologies Association. Mr. Yordon received a BA from Northern Illinois University.

Ronald Pauli – Chief Financial Officer

Mr. Pauli has served as Chief Financial Officer since April 2007. Prior to joining Sagent, from August 2006 to March 2007, he was Executive Vice President and Chief Financial Officer of NEOPHARM, Inc., a biotech company. Prior to that, Mr. Pauli held the positions of: Corporate Controller and Interim Chief Financial Officer of Abraxis BioScience; Vice President, Controller, and Chief Financial Officer of ERSCO Corporation; Corporate Controller of Applied Power, Inc.; Corporate Controller of R.P. Scherer; Assistant Controller, Assistant Treasurer, and Assistant Director of Investor Relations of Kmart Corporation; and Senior Accountant of Ernst & Whinney (now Ernst & Young). Mr. Pauli served as a Certified Public Accountant licensed in North Carolina and received a BS in accounting from Michigan State University and an MS in Finance from Walsh College.

Albert Patterson, R.Ph. – Senior Vice President, Operations

Mr. Patterson, R.Ph. has served as Senior Vice President, Operations since June 2010. Prior to joining Sagent, from September 2004 to June 2010, Mr. Patterson held the position of Chief Executive Officer of The Bert Patterson Group, a healthcare consulting company focused on the generic pharmaceutical industry. Prior to that, from July 2003 to August

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

2004, Mr. Patterson was President and Chief Executive Officer of Excel Rx GSO, a group service organization concentrating on the alternate site healthcare sector. From July 1997 through July 2003, Mr. Patterson was Vice President of Pharmacy, Vice President of the Contract Center of Excellence and Vice President of Alternate Site Healthcare and Business Development of Premier, Inc., a national healthcare Group Purchasing Organization. From February 1988 through June 1997, Mr. Patterson held the positions of Director of Hospital Pharmacy, Director of the Office of Drug Product Management and internal Pharmacy Benefit Manager of the U.S. Department of Veterans Affairs. Mr. Patterson served as a member of the board of directors of the Ronald McDonald House near Loyola University Medical Center. Mr. Patterson has also served in faculty positions at Illinois, Wisconsin and Purdue Colleges of Pharmacy and as a member of the Dean's committee at Midwestern University, Chicago College of Pharmacy. Mr. Patterson received a BS in pharmacy from the University of Illinois College of Pharmacy.

Michael Logerfo – Corporate Vice President, Chief Legal Officer and Secretary
Mr. Logerfo has served as Sagent's Corporate Vice President since March 2007 and its Chief Legal Officer since April 2010. From March 2007 to August 2008, Mr. Logerfo served as Chief Operating Officer of our KSP joint venture. As of September 23, 2010, Mr. Logerfo has served as Sagent's Secretary. From October 1999 to January 2006, Mr. Logerfo held the positions of President and Chief Executive Officer of Flavine Holding Co. and its affiliates, a privately held group engaged in the development and sale of active pharmaceutical ingredients. Mr. Logerfo has been a lawyer in private practice, from September 2006 to January 2007, as a partner with the law firm Phillips Nizer, and from June 1990 to October 1999, as a member of the firm Ferro Labella Logerfo & Zucker, PC and its predecessors and successors. He is admitted to practice law in New Jersey and New York. Mr. Logerfo received a BA in government and a JD from Georgetown University.

Lorin Drake – Vice President, Sales and Marketing
Mr. Drake has served as Sagent's Vice President, Sales and Marketing since May 2006. Prior to joining Sagent, from 1998 to May 2006, Mr. Drake held the positions of Senior Director of Sales and Vice President of Sales of American Pharmaceutical Partners. Prior to that Mr. Drake held various sales related positions at Fujisawa USA and LyphoMed. Mr. Drake received a BS in economics from Manchester College.

Anthony Gulczynski – Vice President, Corporate Development
Mr. Gulczynski has served as Vice President, Corporate Development since May 2006. Prior to joining our company, from 1993 to May 2006, Mr. Gulczynski held the positions of Senior Director of Pharmacy and Vice President, Pharmacy Services with Premier, Inc. Prior to that, Mr. Gulczynski held the position of General Manager, Home Infusion of IVonyx. Mr. Gulczynski is a Registered Pharmacist and received a BS from the University of Illinois College of Pharmacy.

Sheila Moran – Vice President, Quality
Ms. Moran has served as our Vice President, Quality since June 2009. Ms. Moran joined our company in August 2007 and has held the positions of Director and Senior Director of Quality Assurance. Prior to joining our company, from November 2004 to August 2007, Ms Moran held the position of Director of Quality Assurance at Regis Technologies. Prior to that, Ms. Moran held various positions at Cardinal Health, most recent being Director, Scientific Development/Specialty Manufacturing. Ms. Moran received a BS in Biology/Chemistry from Roosevelt University.

Ravi Malhotra, Ph.D. – Vice President, Project Management
Dr. Malhotra, Ph.D. has served as Sagent's Vice President, Project Management since October 2006. Prior to joining our company, from 2000 to October 2006, Dr. Malhotra held the position of Director of Project Management of American Pharmaceutical Partners.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Prior to that, Dr. Malhotra held the positions of Associate Director & Manager of Project Management of Fujisawa Pharmaceuticals. Dr Malhotra completed his post-doctoral studies at The Ohio State University and the University of Kansas.

Tom Moutvic – Vice President, Regulatory Affairs

Mr. Moutvic has served as Sagent's Vice President, Regulatory Affairs since May 2007. Prior to joining our company, from 2004 to May 2007, Mr. Moutvic held the position of Director, Global Regulatory Affairs of Hospira, Inc. Prior to that, Mr. Moutvic held the positions of Associate Director Regulatory Affairs of Abbott Laboratories; and Manager, Procurement Regulatory Affairs and Quality Assurance of Baxter Healthcare Corporation. Mr. Moutvic received a BS in microbiology from the University of Wisconsin at Madison.

Dave Hebeda – Vice President of Finance

Mr. Hebeda has served as Sagent's Vice President of Finance since July 2010. Prior to joining our company, from 2006 to July 2010, Mr. Hebeda held positions of VP/Corporate Controller, Corporate Controller and Assistant Corporate Controller for APP Pharmaceuticals, Inc. (previously Abraxis BioScience, Inc.). Prior to that, Mr. Hebeda held the positions of Corporate Controller of GVW Holdings, Controller of Hedstrom Corporation, Assistant Controller at Tenneco Packaging's Hexacomb Division, Financial Reporting Manager at International Jenson Inc. and Senior Accountant with Deloitte & Touche. Mr. Hebeda is a Certified Public Accountant and received a BS in accounting from Eastern Illinois University and an MBA from Northwestern University's Kellogg School of Management.

Exhibit 2: Sagent Management Team

Name	Position	Year Joined
Management Team		
Jeff Yordon	President, CEO, and Chairman	2006
Ron Pauli	Chief Financial Officer	2007
Albert Patterson	Senior VP, Operations	2010
Michael Logerfo	Corporate VP, Chief Legal Officer, Secretary	2007
Lorin Drake	VP, Sales and Marketing	2006
Anthony Gulczynski	VP, Corporate Development	2006
Sheila Moran	VP, Quality	2009
Ravi Malhotra	VP, Project Management	2006
Tom Moutvic	VP, Regulatory Affairs	2007
Dave Hebeda	VP, Finance	2010
Board of Directors		
Jeff Yordon	Chairman	2006
Mary Taylor Behrens	Board Member	2010
Robert Flanagan	Board Member	2009
Anthony Krizman	Board Member	2010
Frank Kung, PhD	Board Member	2006
James Sperans	Board Member	2008
Chen-Ming Yu	Board Member	2006

Source: Company Reports

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Exhibit 3: Sagent Pharmaceuticals Summary P&L

(In millions of $, except per share amount)

Year End: December 31	2007	2008	2009	2010	1Q11	2Q11E	3Q11E	4Q11E	2011E	2012E	2013E	2014E	2015E
Total Revenue	**$0.1**	**$12.0**	**$29.2**	**$74.1**	**$30.3**	**$35.6**	**$46.5**	**$49.0**	**$161.4**	**$245.9**	**$351.4**	**$439.3**	**$505.2**
Gross Margin	*37.5%*	*0.6%*	*1.5%*	*12.2%*	*15.1%*	*20.0%*	*24.0%*	*25.0%*	*21.8%*	*26.0%*	*33.0%*	*37.0%*	*37.0%*
Total SG&A	$10.6	$15.0	$16.7	$18.9	$5.0	$5.0	$5.0	$5.0	$20.0	$21.2	$22.9	$24.2	$25.5
R&D	2.5	14.9	12.4	11.2	2.4	5.4	3.6	3.5	15.0	16.5	18.4	19.3	20.3
Operating Margin	*NM*	*(253.7%)*	*(104.5%)*	*(33.1%)*	*(14.4%)*	*(15.8%)*	*0.5%*	*2.9%*	*(5.2%)*	*7.9%*	*19.8%*	*26.3%*	*27.6%*
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.9%	29.8%	32.3%	32.9%
Net Income	(13.2)	(30.5)	(30.5)	(24.5)	(4.4)	(5.6)	0.2	1.4	(8.4)	17.4	48.9	78.2	93.7
Net Margin	*NM*	*(253.7%)*	*(104.5%)*	*(33.1%)*	*(14%)*	*(16%)*	*0%*	*3%*	*(5.2%)*	*7.1%*	*13.9%*	*17.8%*	*18.5%*
Adjusted EPS	**NA**	**NA**	**NA**	**NA**	**($2.09)**	**($0.27)**	**$0.01**	**$0.05**	**($0.43)**	**$0.58**	**$1.60**	**$2.51**	**$2.94**
Shares Out. (MM)	0.0	0.0	0.0	0.0	2.1	20.5	27.6	28.0	19.5	30.0	30.6	31.2	31.8
Year-over Year Growth													
Total Revenue		*NM*	*143%*	*153%*	*251%*	*237%*	*118%*	*46%*	*118%*	*52%*	*43%*	*25%*	*52%*
Total SG&A		*42%*	*11%*	*14%*	*19%*	*15%*	*12%*	*(16%)*	*6%*	*6%*	*8%*	*6%*	*5%*
R&D		*488%*	*(17%)*	*(10%)*	*(16%)*	*66%*	*43%*	*35%*	*33%*	*10%*	*12%*	*5%*	*5%*
Net Income		*131%*	*0%*	*(20%)*	*(40%)*	*(35%)*	*(105%)*	*(139%)*	*(66%)*	*(308%)*	*181%*	*60%*	*20%*
Adjusted EPS		***NM***	***NM***	***NM***	***NM***	***NM***	***NM***	***NM***	***NM***	***(236%)***	***176%***	***57%***	***17%***

Source: Jefferies estimates, company data

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Exhibit 4

Sagent Pharmaceuticals Earnings Model

Year End: December 31

(In millions of $, except per share amount)

Period	TOTAL Revenue	COGS	Gross Profit	Margin	SG&A	% Rev	R & D	% Rev	Op Ex	% Rev	Equity in JV Net Loss	Interest Inc	Pretax Income	Margin	Tax	Rate	Net Income	Margin	Adj EPS	FD Shares
2007	**$0.1**	**$0.1**	**$0.0**	37.5%	**$10.6**	NM	**$2.5**	2442.3%	**$13.1**	NM	**$0.7**	$0.6	**($13.2)**	NM	**$0.0**	0.0%	**($13.2)**	NM	**NA**	0.0
2008	**$12.0**	**$11.9**	**$0.1**	0.6%	**$15.0**	125.1%	**$14.9**	124.5%	**$30.0**	249.6%	**$1.1**	$0.5	**($30.5)**	(253.7%)	**$0.0**	0.0%	**($30.5)**	(253.7%)	**NA**	0.0
1Q09	$5.4	$4.8	$0.5	10.2%	$4.0	75.1%	$4.3	80.6%	$8.3	155.7%	$0.4	$0.0	($8.2)	(153.3%)	$0.0	0.0%	($8.2)	(153.3%)	NA	0.0
2Q09	7.4	7.5	(0.1)	(2.0%)	4.0	54.5%	3.5	48.0%	7.6	102.5%	0.2	(0.0)	(8.0)	(108.0%)	0.0	0.0%	(8.0)	(108.0%)	NA	0.0
3Q09	7.2	6.9	0.4	5.0%	4.1	55.9%	2.1	28.4%	6.1	84.3%	0.4	(0.2)	(6.3)	(87.4%)	0.0	0.0%	(6.3)	(87.4%)	NA	0.0
4Q09	9.2	9.6	(0.3)	(3.6%)	4.6	49.6%	2.5	27.0%	7.1	76.6%	0.4	(0.2)	(8.0)	(86.9%)	0.0	0.0%	(8.0)	(86.9%)	NA	0.0
2009	**$29.2**	**$28.8**	**$0.4**	1.5%	**$16.7**	57.1%	**$12.4**	42.4%	**$29.1**	99.5%	**$1.5**	**($0.4)**	**($30.5)**	(104.5%)	**$0.0**	0.0%	**($30.5)**	(104.5%)	**NA**	0.0
1Q10	$8.6	$8.4	$0.3	3.4%	$4.2	48.2%	$2.8	32.3%	$7.0	80.5%	$0.4	($0.2)	($7.3)	(84.9%)	$0.0	0.0%	($7.3)	(84.9%)	NA	0.0
2Q10	10.6	10.7	(0.1)	(0.9%)	4.4	41.2%	3.3	31.0%	7.6	72.2%	0.3	(0.6)	(8.7)	(82.3%)	0.0	0.0%	(8.7)	(82.3%)	NA	0.0
3Q10	21.3	18.5	2.7	12.9%	4.5	21.1%	2.5	11.9%	7.0	33.0%	0.2	(0.4)	(4.9)	(22.9%)	0.0	0.0%	(4.9)	(22.9%)	NA	0.0
4Q10	33.6	27.5	6.1	18.2%	5.9	17.7%	2.6	7.8%	8.6	25.5%	0.5	(0.7)	(3.6)	(10.7%)	0.0	0.0%	(3.6)	(10.7%)	NA	0.0
2010	**$74.1**	**$65.0**	**$9.0**	12.2%	**$18.9**	25.6%	**$11.2**	15.2%	**$30.2**	40.7%	**$1.5**	**($1.9)**	**($24.5)**	(33.1%)	**$0.0**	0.0%	**($24.5)**	(33.1%)	**NA**	0.0
1Q11	$30.3	$25.8	$4.6	15.1%	$5.0	16.4%	$2.4	7.8%	$7.3	24.2%	$0.7	($1.0)	($4.4)	(14.4%)	$0.0	0.0%	($4.4)	(14.4%)	($2.09)	2.1
2Q11E	35.6	28.5	$7.1	20.0%	5.0	14.1%	5.4	15.3%	10.4	29.4%	1.3	($1.0)	(5.6)	(15.8%)	0.0	0.0%	(5.6)	(15.8%)	($0.27)	20.5
3Q11E	46.5	35.3	$11.1	24.0%	5.0	10.8%	3.6	7.8%	8.6	18.5%	1.3	($1.0)	0.2	0.5%	0.0	0.0%	0.2	0.5%	$0.01	27.6
4Q11E	49.0	36.8	$12.3	25.0%	5.0	10.2%	3.5	7.2%	8.5	17.4%	1.3	($1.0)	1.4	2.9%	0.0	0.0%	1.4	2.9%	$0.05	28.0
2011E	**$161.4**	**$126.3**	**$35.1**	21.8%	**$20.0**	12.4%	**$15.0**	9.3%	**$34.9**	21.6%	**$4.6**	**($4.0)**	**($8.4)**	(5.2%)	**$0.0**	0.0%	**($8.4)**	(5.2%)	**($0.43)**	19.5
2012E	**$245.9**	**$182.0**	**$63.9**	26.0%	**$21.2**	8.6%	**$16.5**	6.7%	**$37.6**	15.3%	**$3.0**	**($4.0)**	**$19.3**	7.9%	**$1.9**	9.9%	**$17.4**	7.1%	**$0.58**	30.0
2013E	**$351.4**	**$235.5**	**$116.0**	33.0%	**$22.9**	6.5%	**$18.4**	5.2%	**$41.3**	11.7%	**$1.0**	**($4.0)**	**$69.7**	19.8%	**$20.8**	29.8%	**$48.9**	13.9%	**$1.60**	30.6
2014E	**$439.3**	**$276.8**	**$162.5**	37.0%	**$24.2**	5.5%	**$19.3**	4.4%	**$43.6**	9.9%	**($0.5)**	**($4.0)**	**$115.5**	26.3%	**$37.2**	32.3%	**$78.2**	17.8%	**$2.51**	31.2
2015E	**$505.2**	**$318.3**	**$186.9**	37.0%	**$25.5**	5.0%	**$20.3**	4.0%	**$45.8**	9.1%	**($2.5)**	**($4.0)**	**$139.7**	27.6%	**$46.0**	32.9%	**$93.7**	18.5%	**$2.94**	31.8
% growth																				
2008/07	*11444%*	*18258%*	*87%*		*42%*		*488%*		*128%*		*56%*	*(11%)*	*131%*		*NM*		*131%*		*NM*	*NM*
2009/08	*143%*	*141%*	*499%*		*11%*		*(17%)*		*(3%)*		*37%*	*(176%)*	*0%*		*NM*		*0%*		*NM*	*NM*
2010E/09	*153%*	*126%*	*1969%*		*14%*		*(10%)*		*4%*		*(1%)*	*376%*	*(20%)*		*NM*		*(20%)*		*NM*	*NM*
1Q11E/10E	*251%*	*208%*	*1466%*		*19%*		*(16%)*		*5%*		*55%*	*306%*	*(40%)*		*NM*		*(40%)*		*NM*	*NM*
2Q11E/10E	*237%*	*167%*	*(7360%)*		*15%*		*66%*		*37%*		*292%*	*58%*	*(35%)*		*NM*		*(35%)*		*NM*	*NM*
3Q11E/10E	*118%*	*90%*	*308%*		*12%*		*43%*		*23%*		*513%*	*171%*	*(105%)*		*NM*		*(105%)*		*NM*	*NM*
4Q11E/10E	*46%*	*34%*	*100%*		*(16%)*		*35%*		*(0%)*		*162%*	*49%*	*(139%)*		*NM*		*(139%)*		*NM*	*NM*
2011E/10E	*118%*	*94%*	*288%*		*6%*		*33%*		*16%*		*210%*	*107%*	*(66%)*		*NM*		*(66%)*		*NM*	*NM*
2012E/11E	*52%*	*44%*	*82%*		*6%*		*10%*		*8%*		*(34%)*	*1%*	*(331%)*		*NM*		*(308%)*		*(236%)*	*53%*
2013E/12E	*43%*	*29%*	*81%*		*8%*		*12%*		*10%*		*(67%)*	*0%*	*261%*		*985%*		*181%*		*176%*	*2%*
2014E/13E	*25%*	*18%*	*40%*		*6%*		*5%*		*15%*		*(150%)*	*0%*	*66%*		*79%*		*60%*		*57%*	*2%*
2015E/14E	*15%*	*15%*	*15%*		*5%*		*5%*		*5%*		*400%*	*0%*	*21%*		*23%*		*20%*		*17%*	*2%*
12-'15 CAGR	***27%***	***20%***	***43%***		***6%***		***7%***		***7%***		***(194%)***	***0%***	***93%***		***NM***		***75%***		***72%***	***2%***

Source: Company Data, Jefferies estimate

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Exhibit 5

Sagent Pharmaceuticals Balance Sheet

Year End: December 31

(In millions of $, except per share amount)	Dec-08	Dec-09	Dec-10	Mar-11	Dec-11E	Dec-12E	Dec-13E	Dec-14E	Dec-15E
ASSETS									
Current Assets									
Cash & Cash equivalents	$25.7	$7.7	$34.4	$32.4	$120.8	$125.6	$163.7	$232.6	$318.6
Restricted cash and cash equivalents	0.0	0.3	0.2	0.1	0.2	0.2	0.2	0.2	0.2
Accounts receivables	0.2	6.9	18.9	19.9	22.7	27.3	32.7	39.3	47.1
Inventory	6.5	19.0	30.6	31.4	36.7	44.0	52.8	63.4	76.1
Prepaid expenses	0.2	8.4	5.3	6.7	5.8	6.4	7.1	7.8	8.6
Due from related party	0.0	0.5	0.9	0.4	0.4	0.4	0.4	0.4	0.4
Note receivable	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Deferred income taxes	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Current Assets	$32.6	$43.0	$90.4	$91.0	$186.8	$204.1	$257.0	$343.7	$451.1
Property & Equipment, net	$0.9	$0.7	$0.8	$0.7	$2.0	$2.4	$2.9	$3.5	$4.1
Restricted cash and cash equivalents	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment in JVs	12.2	19.5	24.5	23.4	25.7	27.0	28.3	29.7	31.2
Deferred financing costs	0.0	0.2	0.2	0.8	1.0	1.0	1.0	1.0	1.0
Intangible assets	5.2	1.7	2.6	2.6	2.9	3.2	3.5	3.8	4.2
TOTAL ASSETS	**$51.0**	**$65.1**	**$118.6**	**$118.7**	**$218.4**	**$237.7**	**$292.8**	**$381.9**	**$491.8**
Working Capital	**$19.7**	**$16.2**	**$32.8**	**$40.9**	**$118.7**	**$128.3**	**$172.1**	**$248.3**	**$343.2**
LIABILITIES & STOCKHOLDERS EQUITY									
Current Liabilities									
Accounts payable	$9.0	$17.3	$24.4	$14.9	$29.3	$35.2	$42.2	$50.7	$60.8
Accrued liabilities	3.9	4.9	4.8	4.3	5.3	5.8	6.4	7.0	7.7
Preferred stock warrants	0.0	0.0	1.4	1.9	1.6	1.7	1.9	2.1	2.3
Current portion of long-term debt	0.0	0.0	0.0	4.8	4.8	4.8	4.8	4.8	4.8
Notes payable	0.0	4.5	20.7	18.7	20.2	20.7	21.2	21.7	22.2
Other	0.0	0.0	6.2	5.6	6.8	7.5	8.3	9.1	10.0
Total current liabilities	$13.0	$26.8	$57.6	$50.2	$68.1	$75.8	$84.8	$95.5	$107.9
Long-term Liabilities									
Long-term debt	$0.0	$0.0	$0.0	$10.2	$10.2	$10.2	$10.2	$10.2	$10.2
Other long-term liabilities	0.0	0.0	0.0	0.6	1.0	1.0	1.0	1.0	1.0
Deferred Income Taxes	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total long-term liabilities	$0.0	$0.1	$0.0	$10.8	$11.2	$11.2	$11.2	$11.2	$11.2
Total Liabilities	**$13.0**	**$26.9**	**$57.6**	**$61.0**	**$79.3**	**$87.0**	**$96.0**	**$106.7**	**$119.1**
Preferred Stock									
Series A	$83.0	$113.0	$113.0	$113.0	$0.0	$0.0	$0.0	$0.0	$0.0
Series B	0.0	0.0	44.8	44.8	0.0	0.0	0.0	0.0	0.0
Total current liabilities	$83.0	$113.0	$157.8	$157.8	$0.0	$0.0	$0.0	$0.0	$0.0
Stockholders' Equity									
Common stock	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
APIC	0.5	1.1	2.3	3.1	250.3	244.4	241.5	241.8	245.6
Accumulated other comprehensive income	0.0	0.0	1.3	1.5	2.0	2.0	2.0	2.0	2.0
(Accumulated deficit)/Retained earnings	(45.4)	($75.9)	(100.4)	(104.8)	(113.1)	(95.7)	(46.8)	31.4	125.1
Total stockholders equity	($44.9)	($74.8)	($96.8)	($100.1)	$139.2	$150.7	$196.7	$275.2	$372.7
TOTAL LIABILITITES AND EQUITY	**$51.0**	**$65.1**	**$118.6**	**$118.7**	**$218.4**	**$237.7**	**$292.8**	**$381.9**	**$491.8**

Source: Company Data, Jefferies estimates

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Exhibit 6

Sagent Pharmaceuticals Cash Flow Statement

Year End: December 31

(In millions of $, except per share amount)	Dec-08	Dec-09	Dec-10	Mar-11	Dec-11E	Dec-12E	Dec-13E	Dec-14E	Dec-15E
CASH FLOW FROM OPERATING ACTIVITIES									
Net income (loss)	($30.5)	($30.5)	($24.5)	($4.4)	($8.4)	$17.4	$48.9	$78.2	$93.7
Depreciation	0.2	0.3	0.2	0.1	0.4	0.5	0.6	0.7	0.8
Amortization	1.8	4.0	1.0	0.1	0.4	0.5	0.6	0.7	0.8
Stock-base compensation expense	0.3	0.6	0.9	0.5	2.0	2.1	2.2	2.3	2.4
Restricted stock repurchase liability	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equity in net loss of consolidated operations	1.1	1.5	1.5	0.7	2.0	2.0	2.0	2.0	2.0
Change in fair value of preferred stock warrants	0.0	0.0	0.8	0.5	0.5	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities									
Accounts receivable	($0.1)	($6.7)	($12.1)	($1.0)	($4.0)	($4.0)	($4.0)	($4.0)	($4.0)
Inventories	(5.7)	(12.5)	(11.6)	(0.9)	(12.2)	(12.8)	(13.4)	(14.1)	(14.8)
Prepaid expenses	0.3	(8.1)	3.1	(1.3)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Due from related party	0.0	(0.5)	(0.4)	0.5	0.0	0.0	0.0	0.0	0.0
Note receivable	0.3	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable and accrued liabilities	7.9	9.3	13.2	(10.9)	4.0	6.0	8.0	10.0	12.0
Deferred revenue	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash from Operations	**($24.9)**	**($42.8)**	**($27.8)**	**($16.2)**	**($17.2)**	**$9.7**	**$42.9**	**$73.8**	**$90.9**
CASH FLOW FROM INVESTING ACTIVITIES									
CapEx	($0.5)	($0.1)	($0.3)	($0.0)	($2.0)	($2.0)	($2.0)	($2.0)	($2.0)
Funding of restricted cash	0.3	(0.3)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment in unconsolidated JVs	(7.5)	(8.8)	(5.2)	(0.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Return of capital from unconsolidated JV	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Purchase of product licensing rights	(1.4)	(0.2)	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of product development rights	(3.2)	(0.1)	(1.5)	(0.1)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Net Cash from Investing	**($12.4)**	**($9.4)**	**($7.276)**	**$0.7**	**($4.9)**	**($4.9)**	**($4.9)**	**($4.9)**	**($4.9)**
CASH FLOW FROM FINANCING ACTIVITIES									
Addtions to notes payable	$0.0	$4.5	$16.2	($2.0)	$0.0	$0.0	$0.0	$0.0	$0.0
Payment of deferred dinancing costs	0.0	(0.3)	(0.1)	(0.0)	0.0	0.0	0.0	0.0	0.0
Proceeds from issuance of long-term debt	0.0	0.0	0.0	15.0	15.0	0.0	0.0	0.0	0.0
Proceeds from issuance of preferred stock	30.0	30.0	45.4	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from issuance of common stock	0.0	0.1	0.2	0.6	95.5	0.0	0.0	0.0	0.0
Net Cash from Financing	**$30.0**	**$34.3**	**$61.718**	**$13.5**	**$110.5**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Net Increase in Cash	**($7.2)**	**($17.9)**	**$26.645**	**($2.0)**	**$88.4**	**$4.8**	**$38.0**	**$68.9**	**$86.0**
Net cash, Beginning of Period	$32.9	$25.7	$7.7	$34.4	$32.4	$120.8	$125.6	$163.7	$232.6
Net Cash/equivalents/Sec's, End of Period	**$25.7**	**$7.7**	**$34.4**	**$32.4**	**$120.8**	**$125.6**	**$163.7**	**$232.6**	**$318.6**

Source: Company Data, Jefferies estimates

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Company Description

Sagent Pharmaceuticals is a specialty pharmaceuticals company focused primarily on hospital-based, generic injectable drugs sold in the US. Founded in 2006, Sagent has sourcing, development, manufacturing, and sales and marketing capabilities, and has amassed an extensive, global network of partnerships and collaborations that provide for a low cost business model and a deep pipeline of ANDA opportunities.

Analyst Certification

I, Corey Davis, Ph.D., certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Graig Suvannavejh, Ph.D., certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Oren G. Livnat, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receive compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

In April, 2011, Jefferies & Company acted as a Joint Bookrunner in connection with the Initial Public Offering of equity for Sagent Pharmaceuticals, Inc.

In October 2010, Jefferies acted as Advisor to Pfizer Inc. in connection with its acquisition of FoldRx Pharmaceuticals.

Jefferies makes a market in Sagent Pharmaceuticals.

Jefferies makes a market in Impax Laboratories, Inc.

Jefferies makes a market in Teva Pharmaceutical Industries Ltd.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Risk which may impede the achievement of our Price Target

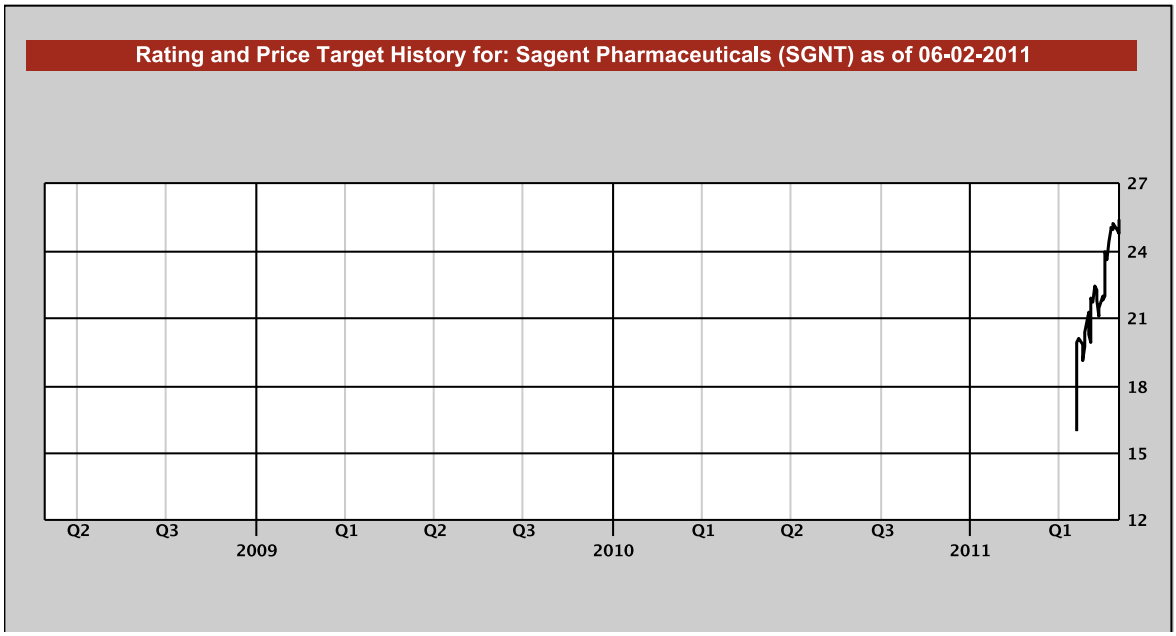
This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may

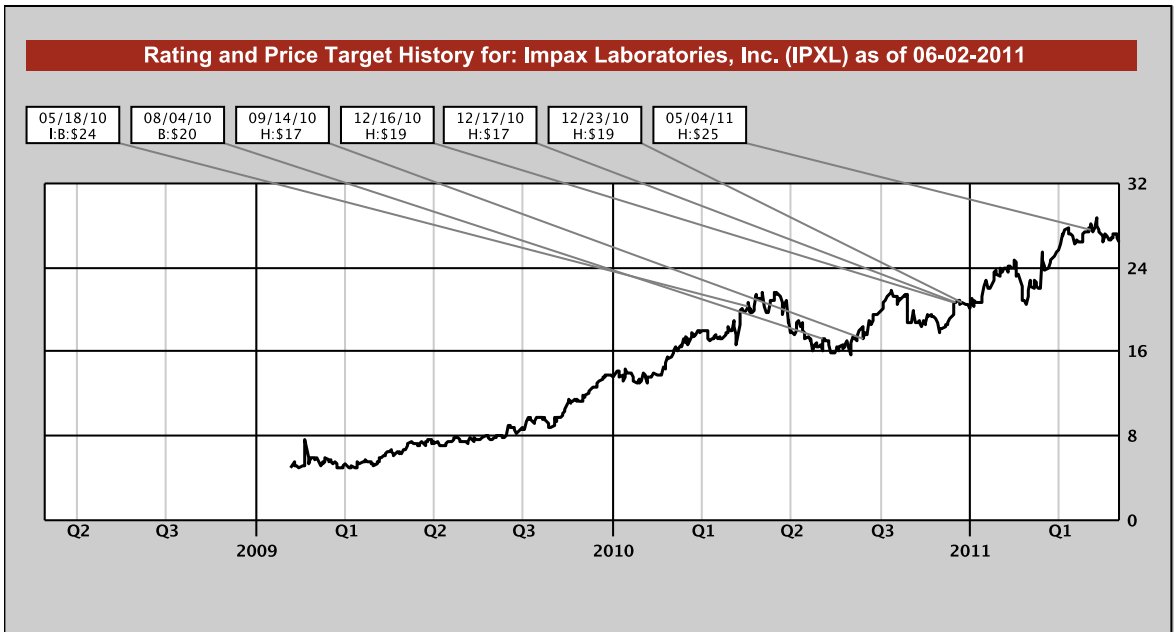
Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.

Other Companies Mentioned in This Report

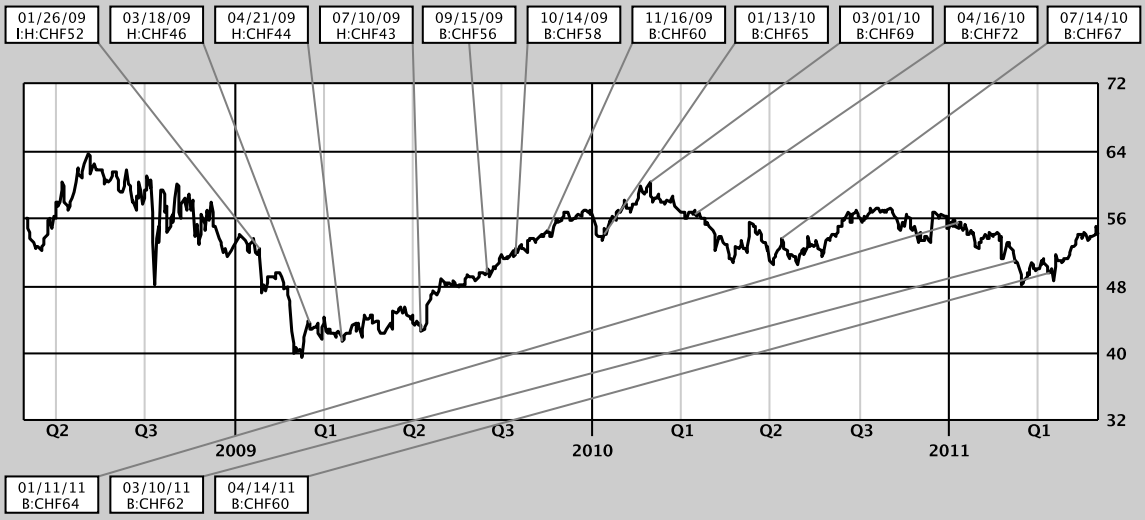
- Impax Laboratories, Inc. (IPXL: $26.39, HOLD)
- Novartis AG (NOVN VX: CHF54.05, BUY)
- Pfizer, Inc. (PFE: $21.00, BUY)
- Sagent Pharmaceuticals (SGNT: $25.43, BUY)
- Teva Pharmaceutical Industries Ltd (TEVA: $50.53, HOLD)





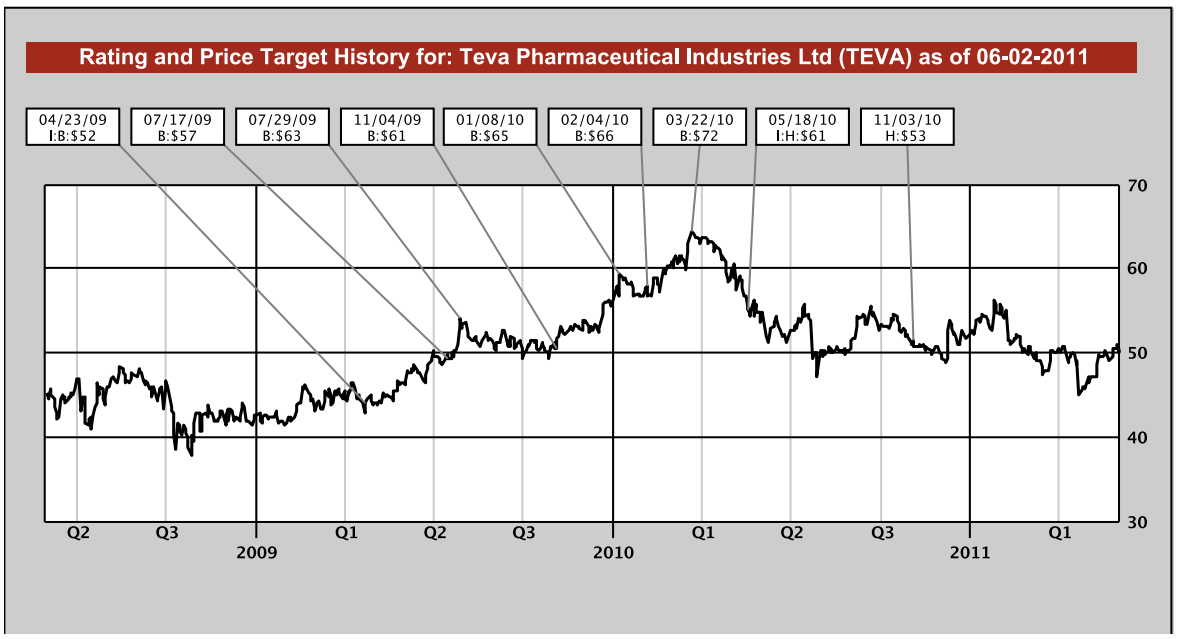
Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

Rating and Price Target History for: Novartis AG (NOVN VX) as of 06-02-2011



Rating and Price Target History for: Pfizer, Inc. (PFE) as of 06-02-2011

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	612	52.30%	41	6.70%
HOLD	504	43.10%	28	5.56%
UNDERPERFORM	54	4.60%	3	5.56%

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group, Inc. ("Jefferies") group companies:

United States: Jefferies & Company, Inc., which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Services Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number ATS546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited, which is licensed by the Securities and Exchange Board of India as a Category I merchant banker.

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com

of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Services Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at https://javatar.bluematrix.com/sellside/Disclosures.action or call 1.888.JEFFERIES

Corey Davis, Ph.D., Equity Analyst, (212) 336-7187, cdavis@jefferies.com