Sagent Pharmaceuticals
(SGNT: $17.59)
Buy
Price Target: $22
Monday, April 16, 2012

MARKET AND BALANCE SHEET DATA

Current Price:	$17.59
Shares Outstanding:	27.9
Market Cap:	$490
EV:	$368

FINANCIAL AND EARNINGS DATA

FYE Dec		**2011A**	**2012E**	**2013E**
Revenue:		$152	$232	$288
EPS:		($1.32)	($0.19)	$1.02
Revenue:	Q1	$30A	$37E	$71E
	Q2	$32A	$60E	$72E
	Q3	$41A	$64E	$72E
	Q4	$49A	$71E	$74E
	FY	$152A	$232E	$288E
EPS:	Q1	($2.09)A	($0.38)E	$0.19E
	Q2	($0.37)A	($0.10)E	$0.25E
	Q3	($0.17)A	$0.08E	$0.28E
	Q4	($0.33)A	$0.21E	$0.31E
	FY	($1.32)A	($0.19)E	$1.02E

Financial Data in millions unless otherwise noted
Pricing as of the April 13 close.

Source: FactSet

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Initiating with Buy and $22 Price Target

SGNT is a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing pharmaceutical products, with a specific emphasis on injectable drugs. We are initiating coverage of SGNT with a Buy rating and 12-month price target of $22. We arrive at our valuation by using a blend of P/E ($20 using 20x 2013 EPS of $1.02), DCF ($24 using WACC of 10%, exit multiple 7x EBIT) and Sum of the Parts analysis ($31). We believe that 2013 will be a key strategic year for SGNT, its catalysts are underappreciated, and stock price appreciation will come from upwards earnings revisions. These will be driven by better than expected new product launches starting in 2H12, an improving gross margin starting in 4Q12, operating leverage, 2013+ business development, with at least one deal before the end of 2013 (vertical integration, PIVs, niche proprietary drugs, innovative delivery platforms) and OUS expansion in 2013+.

Our investment thesis in SGNT is threefold: 1) SGNT will get faster approval and better pricing for its drugs; 2) Margin expansion is underappreciated; and 3) business development and OUS expansion will drive EPS upside.

- **Critical shortage drugs could contribute $1.80+ in EPS annually.** This opportunity is not fully appreciated in consensus expectations because no company has been able to consistently make money from this opportunity yet. SGNT believes that customers are willing to pay a premium for a reliable supplier, and is already charging a higher price for critical shortage drugs (e.g. paclitaxel). The company is expanding its effort to increase the price of generic injectable drugs. CEO Jeff Yordon took a group of key customers (GPO, IDN) to China to try to convince them that generic injectables drug pricing is too low. He showed them SGNT's facility and introduced them to SGNT's API (Active Pharmaceutical Ingredients) suppliers. SGNT hopes that this will give more customers the confidence to sign long term contracts with the company. These agreements will exchange a sustainable supply of drugs for higher pricing.
- **Margins should expand starting in 2H12+.** One of the key reasons that keeps investors on the sidelines is that SGNT's gross margin (GM) and operating margin are too low. We believe that these will improve. SGNT exited 2011 with adjusted GM of 17.5% and expects to exit 2013 with GM in the mid-30s, driven by new product launches in 2H12. Also, development expenses have peaked, so operating leverage should expand in 2013+. Other initiatives for improving margins include: 1) increasing generic injectable drug pricing; 2) lower manufacturing costs; 3) better API cost concessions; 4) the launch of higher value drugs with barriers to entry; 5) the launch of drugs at market formation; and 6) exiting less profitable products.
- **Business development & OUS expansion drives EPS growth in 2013+.** These two key potential sources of earnings upside are not in SGNT's long term guidance or consensus expectations. Vertical integration is a key focus of SGNT's business development activities. With respect to OUS expansion, entering China makes good strategic sense given SGNT's KSP JV facility in China. Other sources of earnings upside for SGNT include: 1) new product/smaller acquisitions; 2) launch of additional drugs on the FDA shortage list; 3) new drug launches out of SGNT's KSP facility in China before the end of 2013; 4) the launch of proprietary niche products; and 5) more PIV filings.

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INVESTMENT CONCLUSIONS

Initiating With Buy and $22 Price Target

SCENARIO	*VALUATION*	*INVESTMENT THESIS*
Bull Case	**2013E EPS:** $1.15 **12 Month PT:** $30	• EPS positive 3Q12 • China plant inspected 2H12 • Sales run rate $400MM+ 2H13 • EBITDA run rate end of 2013 25%+
Base Case	**2013E EPS:** $1.03 **12 Month PT:** $22	• EPS positive before end of 4Q12 • China plant inspected 2013 • Sales run rate $400MM end of 2013 • EBITDA run rate end of 2013 20% to 25%
Bear Case	**2013E EPS:** $0.95 **12 Month PT:** $17	• EPS positive 2013+ • China plant inspected 2013+ • Sales run rate below $400MM end of 2013 • EBITDA run rate end of 2013 < 20%

Source: Auriga USA
Valuation is a blend of P/E, DCF and sum of the parts analysis

2013 to be a Key Strategic Year for SGNT. SGNT is a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing pharmaceutical products, with a specific emphasis on injectable drugs. We are initiating coverage of SGNT with a Buy rating and 12-month price target of $22. We arrive at our valuation by using a blend of Price to Earnings (P/E), Discount Cash Flow (DCF) and Sum of the Parts analysis. We believe that 2013 will be a key strategic year for SGNT. Its catalysts are underappreciated, and stock price appreciation will come from upwards earnings revisions. These will be driven by better than expected new product launches starting in 2H12, an improving gross margin starting in 4Q12, operating leverage, 2013+ business development, with at least one deal before the end of 2013 (vertical integration, PIVs, niche proprietary drugs, innovative delivery platforms) and OUS expansion in 2013+.

Our investment thesis in SGNT is threefold: 1) SGNT will get faster approval and better pricing for its drugs; 2) Margin expansion is underappreciated; and 3) business development and OUS expansion will drive EPS upside.

Potential Stock-Moving Catalysts: 1) We expect at a minimum, 18 new product launches in 2012 (8 already approved); 2) gross margin and operating margin expansion; 3) ANDA approvals; 4) Business Development; and 5) Inspection of KSP facility in China. Please see our "Catalyst Calendar" below for more details.

For more information on SGNT please see the Appendix of our report which provides more detail on the company.

Investment Thesis Number One: SGNT will get Faster Approval and Better Pricing for its Drugs

This opportunity is not fully appreciated in consensus expectations because no company has been able to consistently make money from this opportunity yet. SGNT may be the first company to successfully sign long term contracts for higher priced critical shortage drugs, given CEO, Jeff Yordon's, efforts. Jeff Yordon is a well respected industry veteran and considered a key opinion leader amongst generic injectables companies. SGNT believes that customers are willing to pay a premium for a reliable supplier. SGNT is leading this effort and already charging a higher price for critical shortage drugs.

SGNT took customers on a China field trip to convince them that drug prices are too low. SGNT has been making an effort to increase the price of generic injectable drugs. CEO Jeff Yordon, took a group of key customers (GPO, IDN) to China to try to convince them that generic injectables drug pricing is too low. He showed them SGNT's facility and introduced them to SGNT's API (Active Pharmaceutical Ingredients) suppliers. SGNT hopes that this will give more customers the confidence to sign long term contracts with the company. These agreements will exchange a sustainable supply of key drugs for higher pricing.

SGNT already successful in charging a higher price for critical shortage drugs. The company believes that other generic injectable competitors that want to enter at a discounted price to SGNT will eventually have to exit the market anyhow because the drugs will be unprofitable. SGNT can afford some pricing flexibility and/or pricing pressure because of its low cost manufacturing. For example, SGNT launched a critical shortage drug, paclitaxel, in 3Q11, at a higher price point than its two competitors. SGNT has also launched other products on the FDA's critical shortage list including vecuronium bromide. SGNT currently markets 10 products on the FDA critical shortage list and expects to launch 11 of these types of drugs in 2012. Additionally, SGNT's joint venture (JV) facility with KSP includes nine products on the FDA's critical shortage list.

ASHP agrees that more rational drug pricing needed. The American Society of Health-System Pharmacists (ASHP) has also agreed that the generic injectables industry needs more rational pricing. Generic injectable drug suppliers often stop selling critical drugs because there is not enough profit margin. Part of this is a result of the Medicare cap. This leads to the large number of drugs shortages we see in the US today. The average hospital pharmacist spends too much time managing shortages. SGNT believes that pharmacists look toward companies like SGNT to eliminate shortages of key critical drugs. SGNT markets 33 products with 87 presentations of which 16 are regularly on the shortage list. SGNT has 41 products pending launch or awaiting approval, representing 76 ANDAs and 20 of these are on the drug shortage list. The company has 31 products in its pipeline and 9 are manufactured by KSP. These are targeted at reducing drug shortages.

Expect critical shortage drugs to be approved faster. The company anticipates that this year, shortage products are going to be approved faster because the FDA is really trying to get these products onto the market. SGNT's drug approval times are already better than the industry average. Interestingly, the average ANDA approval time is tracking at 31 months while SGNT has been averaging 27months. SGNT launched 12 new products in 2011. The company expects to launch a minimum of 18 in 2012 and this is a conservative estimate, in our view. As of the company's 4Q11 earnings call, SGNT had 41 products represented by 76 ANDAs (20 of these are on drug shortage list) either pending launch or awaiting approval with the FDA. We would expect that most of these will be approved and launched by the end of 2013. Additionally, the company has 31 products in its pipeline. Nine are manufactured by KSP and targeted at reducing drug shortages.

Critical shortage drugs could add $225MM+ in sales & contribute $1.80+ in EPS annually. We estimate that the US injectable drug shortage represents a $1.5B market opportunity. We arrived at our $1.5B estimate by compiling a list of drugs on the FDA drug shortage list and ASHP website. We then used IMS to size these opportunities. According to a recent analysis of the drug supply chain conducted by IMS, there is significant volatility in suppliers for the drugs on the FDA's critical shortage list. Many of the products on the shortage list have been discontinued by companies due to pricing pressure and low profitability. This is exacerbated by an increase in manufacturing issues and a decrease in capacity which forces manufacturers to focus on the development of higher margin products.

We have created a list of limited competition and critical shortage drugs, many of which we believe are in SGNT's pipeline. To create the list, we used IMS data to look for generic injectable drugs that generate a minimum of $5MM annually per manufacturer. We assumed that products that annualized $5MM to $10MM in sales will have limited competition. We note a majority of these products are also currently on the ASHP drug shortage list.

We outline our findings in the Figure below:

Figure 1: Limited Competition and Critical Shortage Drugs

Currently Marketed	Generic Opportunities
Acetazolamide	Indomethacin
Acyclovir	Irinotecan
Albumin Human	Isosulfan Blue
Amifostine	Kanamycin
Atropine Sulfate	Ketorolac Trometh
Aztreonam	Leucovorin
Benztriopine	Leuprolide
Betamethasone	Levetiracetam
Bupivacaine	Levothyroxine
Caffeine Cit	Lidocaine
Carboplatin	Lorazepam
Cefotetan	Magnesium Sulfate
Chlorothiazide	Medroxyprogesteron
Chorionic Gonado	Melphalan
Cisplatin	Meropenem
Colistimethate	Mesalamine
Cosyntropin	Methotrexate
Cyanocobalamin	Methylpredisone
Cyclophosphamide	Metronidazole
Deferoxamine	Milrinone
Dexamethasone	Mitomycin
Diazepam	Mitoxantrone
Dihydroergotamine	Morphine Sulfate
Diltiazem	Nafcillin Sodium
Dip/Tet	Nalbupine
Diphenhydramin	Naloxone
Dobutamine	Neostigmine Methyl
Docetaxel	Nicardipine
Dopamine	Nitroglycerin
Doxorubicin	Norepinephrine Bit
Doxycycline Hyclat	Octreotide
Enoxaparin	Oxacillin
Ephedrine	Oxaliplatin
Epinephrine	Oxytocin
Fentanyl	Penicillin G
Fluorouracil	Phytonadione
Fluphenazine	Prochlorperaz
Fomepizole	Promethazine
Foscarnet	Propofol
Furosemide	Protamine
Gamunex-C	SMX/TMP
Ganiciclovir	Testosteron Cyp
Gentamicin	Tetanus Tox
Glycopyrrolate	Thiamine
Hydralazine	Thiotepa
Hydromorphone	Tobramycin
Hydroxyzine	Vancomycin
Idarubicin	Vasopressin
Ifosfamide	Vitamin K

Source: Auriga USA

Investment Thesis Number Two: Margin Expansion is Underappreciated

One of the key reasons that investors are on the sidelines is that SGNT's gross margin and operating margin are too low. We believe these will improve and patience will be well rewarded in 2H12 and beyond when SGNT starts to demonstrate stronger margin expansion. This will be driven by new product launches in 2012 which are weighted towards 2H12 and several initiatives management has highlighted. SGNT exited 2011 with adjusted gross margin of 17.5% and management expects to exit 2013 with gross margin in the mid-30s. In 2011 product launches were also 2H weighted with the following launches in 2H11, piperacillin and tazobactam, levofloxacin, gemcitabine, vercuronium bromide and paclitaxel.

The company is targeting six key objectives to improve its gross margin: 1) Increasing generic injectable drug pricing; 2) lower manufacturing costs; 3) better API cost concessions; 4) the launch of higher value drugs with barriers to entry; 5) the launch of drugs at market formation; and 6) exiting less profitable products.

SGNT does not get credit for its Strides JV in its gross margin. SGNT has a joint venture (JV) with an Indian pharma company, Strides, to sell generic injectable drugs in the US. Management expects the $6MM to $8MM from the Strides JV in 2012 equates to 200bps to 300bps of gross margin. In 2011, if the $2MM from Strides had been included in 4Q11 gross margin, SGNT would have reported adjusted gross margin of 19.0% versus 17.5%. Also, new products that SGNT has introduced are now running at mid-30s gross margin. Therefore, SGNT expects to exit 2012 with meaningfully higher gross margins given the voluminous number of potential product launches in 2012 weighted towards 2H12 (guided to 18, but expects more). Finally, SGNT expects to exit 2013 with a mid-30s gross margin which is in-line with the timing that the company set during its IPO (4/26/11).

Product development expenses have peaked and operating leverage should improve 2013+. One potential headwind to operating leverage improvement is business development. SGNT indicated that it has not included expenses in its 2012 guidance for these projects.

Investment Thesis Number Three: Business Development and OUS Expansion will drive EPS Upside

One of SGNT's three strategic priorities is to invest for the future. SGNT believes that its earlier investments are bearing fruit. The company continues to invest in its base business. SGNT has been strategic about the deployment of its IPO proceeds. Since inception, SGNT has filed or licensed 144 ANDAs with an average investment cost of $350K per ANDA. Management noted that its highest ROIC are from its internal development initiatives. SGNT believes that these investments will ensure the sustainability of its sales through 2016+.

Therefore, we see upwards earnings revisions in 2012+ coming from business development and OUS expansion. These two key potential sources of earnings upside are not in SGNT's long term guidance or, we believe, consensus expectations. Based on our discussions with management, vertical integration is a key focus of SGNT's business development activities. With respect to OUS expansion, entering China makes good strategic sense given SGNT's KSP JV facility in China which management thinks could be commercializing drugs for the US as early as 2012. Other sources of earnings upside for SGNT include: 1) new product and/or smaller company acquisitions; 2) the approval and launch of additional drugs on the FDA shortage list; 3) new drug launches out of SGNT's KSP facility in China before the end of 2013; 4) the launch of proprietary niche products, and; 5) more PIV filings.

Business Development

Increase vertical integration. SGNT's cash, cash equivalents and short term investments totaled $126.0MM as of 12/31/11. Therefore, the company has enough capital to buy new manufacturing facilities or facilities that are profitable or breakeven. We think that SGNT is unlikely to buy a manufacturing facility that is old or operating at a loss.

Paragraph IV Filings. SGNT has historically pursued only Paragraph III (PIII) filings (not Paragraph IV (PIV) opportunities). There are two key reasons for this, in our view: 1) SGNT did not have PIV capabilities in place when it first started the company; and 2) PIV challenges are more costly than PIII filings. Now that SGNT is a larger company with more infrastructure in place, the company is more interested in PIV challenges. Therefore, SGNT is looking at meaningful opportunities and cost effective strategies for PIV filings.

Proprietary niche drugs. SGNT wants to acquire proprietary niche drugs that will fit into the company's product portfolio. The company will likely add products that are accretive to its gross margin.

Innovative drug delivery platforms. SGNT is developing and/or looking to acquire novel drug delivery platforms to enhance its base business.

OUS Expansion

The opportunity in China is 12x larger than the US. We believe that the Chinese market presents an interesting opportunity for SGNT longer term. SGNT has the option to enter the Chinese market through its KSP joint venture. We think that SGNT will enter the Chinese market when pricing and margins improve. SGNT's China facility, KSP, is now fully operational. KSP filed its first submission in late 2011 and another submission was filed in early 2012. SGNT's goal is to trigger FDA inspection as soon as possible. Once the FDA finishes inspection, SGNT can market critical oncology shortage products and also sterile injectables for domestic China and other emerging markets as well.

To be conservative, management is not planning on any revenues from KSP until late 2013, but believes that the facility could be approved as early as 2012. SGNT is also evaluating the FDA's CBE-30 process to accelerate the launch of drugs out of China. SGNT cannot utilize the process on new approvals which is the focus in the short term. As the facility matures, SGNT may be able to leverage the CBE-30 process as its move existing products into the facility. Under a CBE-30, the company can perform a three month accelerated stability and launch 30 days post the stability, unless the FDA tells SGNT that it cannot. To qualify for a CBE-30 a company has to have a good facility, similar process and equipment. Given the company's advanced technology in its Chinese facility, SGNT believes that the equipment will be like for better.

VALUATION METHODOLOGY

We use a blend of price to earnings (P/E), discounted cash flow (DCF) and sum of the parts analysis to get to our 12-month price target of $22. Using a P/E analysis, we arrive at a 12-month value of $20. We apply a 20 times multiple to 2013 earnings of $1.02. This multiple is higher than SGNT's peers which are trading at a 15 times forward P/E multiple; we believe SGNT deserves to trade at a higher multiple than its peers because it has better earnings potential than its more mature peers. We also believe that SGNT could be an acquisition target in a consolidating industry and this provides a floor to its valuation. Our DCF analysis arrives at a 12-month value of $24. We use a WACC of 10% and an exit multiple of 7 times EBIT. Using a sum of the parts analysis we arrive at a 12-month value of $31. We have excluded any redundant overhead to determine what each division would be worth if the company were broken up and spun off or acquired by another company.

We believe there are four key risks to our price target:

(1) Supply and/or manufacturing issues

(2) Inability to get new products approved and launched

(3) Increasing competition for generic injectable drugs

(4) Disruption in key partnerships

Please see our "Pharmaceutical Equity Company Comparable 2009 to 2013E" and "Mergers and Acquisitions Comparable Company Analysis" tables on pages 9-10.

Pharmaceutical Equity Company Comparables 2009 to 2013E

		Price as of 4/13/2012	Shs. (B)	Market Cap ($B)	52 - Week High	52 - Week Low	Debt/ EBITDA	Price/ Sales	Div. Yield	Cash Flow Yield	Cash on Hand ($B)	EPS 09	EPS 10	EPS 11	EPS 12E	EPS 13E	P/E 09	P/E 10	P/E 11	P/E 12E	P/E 13E	2009-13E EPS Gr. Rate	PEG Ratio on 2013E	% Change Stock Price 2007	2008	2009	2010	2011	YTD 2012
Index																													
DJII	Dow Jones Industrial Avg.	$12,849.59	NM	NM	$13,331.77	$10,362.26	1.9x	1.3x	2.7%	6.1%	480,788.7	617.02	813.02	959.03	1,046.41	1,163.18	16.9x	14.2x	12.7x	$12.28	$11.05	17.2%	0.64	6.3%	-32.7%	15.4%	9.4%	4.4%	5.2%
SP50	S&P 500	$1,370.26	NM	NM	$1,422.38	$1,074.77	1.8x	1.3x	2.2%	6.4%	1,522,199.2	45.04	77.64	93.29	105.23	118.54	24.8x	16.2x	13.5x	$13.02	$11.56	27.4%	0.42	3.7%	-37.6%	19.7%	11.0%	-1.3%	9.0%
COMP	Nasdaq	$3,011.33	NM	NM	$3,134.17	$2,298.89	1.6x	1.8x	1.4%	5.2%	778,076.4	52.06	118.86	130.39	188.62	222.79	NM	22.3x	20.0x	$15.96	$13.52	43.8%	0.31	9.5%	-39.6%	39.0%	14.9%	-3.9%	15.6%
BTK	Amex Biotech	$1,323.65	NM	NM	$1,514.60	$1,001.33	2.5x	5.1x	0.5%	5.2%	42,617.8	34.02	61.03	44.99	72.96	89.04	NM	NM	NM	NM	$14.87	27.2%	0.55	4.5%	-17.9%	43.1%	35.9%	-16.6%	21.3%
DRG	Amex Pharma	$334.15	NM	NM	$346.39	$284.70	1.2x	2.5x	4.0%	5.5%	139,493.6	24.13	24.02	25.06	30.30	31.90	12.8x	12.7x	13.3x	$11.03	$10.47	7.2%	1.45	-2.6%	-19.0%	11.9%	-2.4%	7.4%	0.4%
US Large-Cap Pharma																													
ABT	Abbott Labs	$59.59	1.57	$93.7	$62.57	$46.29	1.6x	24.9x	3.4%	4.9%	8,097.4	3.72	4.17	4.66	5.01	5.32	14.5x	11.5x	12.1x	11.9x	11.2x	9.4%	1.20	14.7%	-4.4%	0.8%	-12.0%	16.7%	6.0%
BMY	Bristol Myers Squibb	$32.54	1.69	$54.9	$35.44	$25.69	0.7x	12.5x	4.2%	4.0%	8,733.0	1.85	2.16	2.28	1.96	1.94	13.6x	12.3x	15.5x	16.6x	16.8x	1.2%	13.99	0.5%	-11.0%	5.7%	3.3%	36.4%	-7.7%
LLY	Eli Lilly	$39.18	1.16	$45.5	$42.03	$33.75	0.9x	21.8x	5.0%	10.0%	6,897.1	4.42	4.74	4.41	3.20	3.68	8.1x	7.4x	9.4x	12.2x	10.7x	-4.5%	NM	2.2%	-23.4%	-12.0%	-2.2%	18.9%	-5.7%
JNJ	Johnson & Johnson	$63.54	2.75	$174.4	$68.05	$59.08	1.0x	23.8x	3.6%	3.0%	32,261.0	4.63	4.76	5.00	5.10	5.46	13.9x	13.0x	13.1x	12.5x	11.6x	4.2%	2.76	0.5%	-9.2%	6.2%	-4.4%	3.7%	-3.1%
MRK	Merck	$37.78	3.04	$115.0	$39.43	$29.47	1.0x	15.7x	4.4%	5.0%	14,972.0	3.25	3.42	3.77	3.81	3.72	11.2x	10.5x	10.0x	9.9x	10.1x	3.5%	2.94	32.0%	-47.0%	17.9%	-2.6%	1.7%	0.2%
PFE	Pfizer	$21.85	7.54	$164.7	$22.80	$16.63	1.4x	8.6x	4.0%	7.2%	26,758.0	2.02	2.23	2.31	2.26	2.35	9.0x	7.9x	9.4x	9.7x	9.3x	3.8%	2.44	-13.5%	-22.7%	-0.4%	-7.5%	19.0%	1.0%
Average							**1.1x**	**17.9x**	**4.1%**	**5.7%**	16,286.4						**11.7x**	**10.4x**	**11.6x**	**12.1x**	**11.6x**	**2.9%**	**4.67**	**6.0%**	**-19.6%**	**3.0%**	**-4.2%**	**16.1%**	**-1.6%**
US Specialty Pharma																													
AGN	Allergan	$94.65	0.30	$28.8	$96.39	$69.40	1.0x	17.6x	0.2%	3.1%	2,586.0	2.78	3.16	3.65	4.19	4.80	22.7x	21.7x	24.0x	22.6x	19.7x	14.6%	1.35	7.8%	-36.3%	51.9%	8.4%	24.4%	7.9%
AKRX	Akorn	$11.34	0.10	$1.1	$13.09	$5.70	2.6x	1.4x	0.0%	0.7%	84.0	(0.28)	0.22	0.35	0.52	0.69	NM	27.6x	31.8x	21.8x	16.4x	NM	NM	24.6%	-68.5%	-32.2%	224.6%	94.4%	2.0%
CADX	Cadence	$3.36	0.09	$0.3	$10.00	$3.29	NM	0.3x	0.0%	NM	127.7	(0.93)	(1.09)	(1.41)	(0.61)	0.19	NM	NM	NM	NM	NM	NM	NM	17.7%	-46.8%	30.7%	-23.9%	-47.0%	-14.9%
COO	Cooper	$82.97	0.05	$3.9	$84.20	$52.60	1.2x	28.6x	0.1%	5.1%	7.7	2.29	3.10	4.50	5.09	5.58	16.6x	18.2x	15.7x	16.3x	14.9x	24.9%	0.60	-13.2%	-56.8%	104.2%	49.2%	25.8%	17.7%
ENDP	Endo	$35.62	0.12	$4.2	$42.79	$26.02	3.9x	23.4x	0.0%	14.9%	547.6	2.84	3.48	4.69	5.11	5.80	7.2x	10.3x	7.4x	7.0x	6.1x	19.6%	0.31	-2.1%	-2.3%	-21.3%	69.2%	-3.7%	3.2%
FRX	Forest Labs	$33.45	0.27	$8.9	$40.52	$28.47	0.0x	16.8x	0.0%	14.0%	2,444.9	3.51	4.41	NM	1.11	1.69	9.1x	7.3x	NM	30.1x	19.8x	-16.8%	NM	-27.4%	-28.3%	22.3%	-1.4%	-6.1%	10.5%
HSP	Hospira	$34.46	0.16	$5.7	$59.20	$26.92	2.3x	24.5x	0.0%	2.5%	597.5	3.11	3.31	3.04	2.17	2.74	16.4x	16.8x	10.0x	15.9x	12.6x	-3.1%	NM	26.0%	-36.1%	85.7%	9.4%	-44.5%	13.5%
IPXL	Impax Labs	$23.60	0.07	$1.6	$28.75	$14.46	0.0x	8.0x	0.0%	(1.5%)	346.4	0.91	2.82	0.97	1.81	1.69	15.0x	7.1x	20.8x	13.1x	14.0x	16.7%	0.84	13.3%	-19.2%	53.1%	42.7%	-2.5%	17.0%
MRX	Medicis	$37.75	0.06	$2.2	$40.51	$29.76	0.7x	12.0x	1.0%	5.8%	288.3	1.68	2.28	2.40	2.68	3.08	16.1x	11.8x	13.9x	14.1x	12.2x	16.4%	0.75	-27.7%	-46.4%	90.4%	-3.8%	25.0%	13.5%
MYL	Mylan Labs	$22.07	0.43	$9.4	$25.46	$15.49	3.3x	14.2x	0.0%	4.5%	415.0	1.30	1.61	2.04	2.42	2.67	14.2x	13.1x	10.5x	9.1x	8.3x	19.8%	0.42	-29.8%	-28.7%	83.9%	12.9%	-4.5%	2.8%
OMPI	Obagi	$12.73	0.02	$0.2	$13.75	$8.61	0.0x	6.1x	0.0%	8.0%	35.0	0.55	0.66	0.86	0.90	0.99	21.8x	17.5x	11.8x	14.1x	12.9x	15.8%	0.82	86.2%	-56.9%	55.6%	-3.9%	-10.9%	25.3%
PRX	Par	$40.12	0.04	$1.5	$41.98	$24.85	1.7x	25.8x	0.0%	3.7%	188.2	2.51	2.95	3.32	3.59	3.87	10.8x	13.1x	9.9x	11.2x	10.4x	11.4%	0.91	3.9%	-43.7%	101.5%	39.0%	-10.4%	22.6%
PRGO	Perrigo	$104.14	0.09	$9.7	$108.50	$75.89	2.4x	31.8x	0.3%	3.3%	531.4	1.87	2.83	4.01	4.78	5.42	21.3x	22.4x	24.3x	21.8x	19.2x	30.5%	0.63	98.8%	-5.0%	26.0%	57.0%	47.3%	7.0%
SGNT	Sagent	$17.59	0.03	$0.5	$29.23	$13.50	(2.4x)	7.6x	0.0%	(5.9%)	126.0	NM	(7.13)	(1.32)	(0.19)	1.03	NM	NM	NM	NM	17.0x	NM	NM	NM	NM	NM	NM	NM	-16.2%
SLXP	Salix	$48.51	0.06	$2.9	$53.99	$25.64	2.2x	9.2x	0.0%	2.9%	292.8	(0.88)	0.54	2.82	2.49	3.20	(28.9x)	87.0x	17.0x	19.5x	15.2x	NM	NM	-35.8%	10.1%	160.9%	80.3%	4.8%	1.4%
SHPGY	Shire	$92.82	0.56	$52.2	$108.79	$85.99	0.7x	23.3x	0.5%	4.4%	640.6	3.49	3.16	5.34	6.15	7.01	16.8x	22.9x	19.4x	15.1x	13.2x	19.1%	0.69	11.0%	-32.5%	29.0%	21.3%	43.0%	-10.7%
TEVA	Teva	$44.19	0.94	$41.6	$51.15	$35.00	2.9x	20.5x	1.7%	5.8%	1,096.0	3.37	4.54	4.97	5.60	6.02	16.7x	11.5x	8.1x	7.9x	7.3x	15.6%	0.47	48.7%	-9.4%	31.7%	-9.9%	-24.5%	9.5%
VRX	Valeant	$52.80	0.30	$15.7	$57.24	$32.05	5.8x	8.1x	0.0%	3.6%	170.4	1.50	2.05	2.93	4.15	4.64	9.3x	13.8x	15.9x	12.7x	11.4x	32.6%	0.35	-36.3%	-29.6%	44.7%	92.7%	31.3%	13.1%
WCRX	Warner Chilcott	$15.34	0.25	$3.8	$25.92	$12.90	2.8x	10.8x	0.0%	29.0%	616.3	1.89	3.49	3.81	3.68	3.82	15.1x	6.5x	4.0x	4.2x	4.0x	19.2%	0.21	27.0%	-17.6%	96.6%	-22.1%	-34.8%	1.4%
WPI	Watson	$67.26	0.13	$8.6	$73.35	$55.00	1.0x	36.8x	0.0%	5.9%	224.2	3.04	3.42	4.77	5.73	6.05	13.0x	15.1x	12.6x	11.7x	11.1x	18.7%	0.59	3.2%	-1.2%	50.6%	28.2%	16.5%	11.5%
Average							**1.7x**	**16.3x**	**0.2%**	**5.8%**	568.3						**12.5x**	**19.1x**	**15.1x**	**14.9x**	**12.9x**	**15.9%**	**0.64**	**10.3%**	**-29.2%**	**56.1%**	**35.3%**	**6.5%**	**6.9%**
US Large-Cap Biotech																													
AMGN	Amgen	$65.59	0.79	$51.9	$70.00	$47.66	3.4x	17.3x	2.2%	6.8%	20,641.0	4.91	5.21	5.33	6.06	6.74	11.5x	10.5x	12.0x	10.8x	9.7x	8.2%	1.18	-32.1%	23.9%	-4.1%	-4.9%	13.5%	2.1%
BIIB	Biogen IDEC	$125.34	0.24	$29.9	$130.00	$78.19	0.5x	21.0x	0.0%	4.9%	1,690.7	4.12	5.15	5.90	6.19	7.02	13.0x	13.0x	18.7x	20.2x	17.9x	14.2%	1.25	15.4%	-14.7%	10.3%	25.0%	63.6%	13.9%
CELG	Celgene	$78.32	0.44	$34.4	$80.42	$51.70	1.1x	10.6x	0.0%	4.6%	2,648.2	2.08	2.80	3.79	4.84	5.73	26.8x	21.1x	17.8x	16.2x	13.7x	28.8%	0.47	-19.2%	19.4%	-1.4%	6.1%	14.6%	15.9%
GILD	Gilead	$45.51	0.76	$34.5	$56.50	$34.45	1.8x	10.9x	0.0%	9.8%	9,900.3	3.06	3.69	3.86	3.88	4.37	14.1x	9.8x	10.6x	11.7x	10.4x	9.3%	1.11	45.7%	12.8%	-17.1%	-16.3%	9.1%	11.2%
Average							**1.7x**	**15.0x**	**0.5%**	**6.5%**	8,720.0						**16.4x**	**13.6x**	**14.8x**	**14.7x**	**12.9x**	**15.2%**	**1.01**	**2.4%**	**10.3%**	**-3.1%**	**2.5%**	**25.2%**	**10.8%**
Medical Device/Hospital Supply																													
BAX	Baxter	$58.03	0.56	$32.3	$62.50	$47.55	1.4x	24.4x	2.3%	3.5%	2,905.0	3.80	3.98	4.31	4.54	4.95	15.4x	12.7x	11.5x	12.8x	11.7x	6.8%	1.71	24.8%	-7.3%	6.5%	-13.2%	-1.5%	17.3%
BDX	Becton Dickinson	$74.79	0.21	$15.7	$89.75	$69.59	1.9x	36.7x	2.4%	4.0%	2,693.7	4.95	4.90	5.62	5.68	6.22	15.9x	17.2x	13.3x	13.2x	12.0x	5.9%	2.05	18.7%	-21.2%	12.9%	7.5%	-10.2%	0.1%
BCR	CR Bard	$96.03	0.08	$8.1	$113.84	$80.80	1.3x	33.8x	0.8%	7.0%	743.5	5.09	5.60	6.40	6.66	7.09	15.3x	16.4x	13.4x	14.4x	13.5x	8.6%	1.57	14.4%	-8.7%	-8.4%	16.6%	-7.0%	12.3%
CFN	CareFusion	$25.49	0.22	$5.7	$29.97	$22.01	1.8x	15.0x	0.0%	4.8%	1,347.0	1.48	1.42	1.65	1.80	1.98	16.9x	18.1x	15.4x	14.2x	12.8x	7.6%	1.69	NM	NM	NM	3.1%	0.0%	0.3%
COV	Covidien	$53.24	0.48	$25.7	$57.65	$41.35	1.4x	24.2x	1.7%	5.1%	1,767.0	2.84	3.38	3.97	4.28	4.60	16.9x	13.5x	11.3x	12.4x	11.6x	12.8%	0.90	NM	-16.1%	28.2%	-4.3%	-3.1%	18.3%
Average							**1.5x**	**26.8x**	**1.4%**	**4.9%**	1,891.2						**16.1x**	**15.6x**	**13.0x**	**13.4x**	**12.3x**	**8.4%**	**1.58**	**19.3%**	**-13.3%**	**9.8%**	**2.0%**	**-4.4%**	**9.7%**

Source: Factset and Auriga USA
(1) EPS estimates are adjusted for non-operating items.
(2) 2012 and 2013 EPS estimates are consensus estimates.

Mergers and Acquisitions Comparable Company Analysis

Year	Buyer Name	Seller Name	Enterprise Value (MM)	EV /Sales	EV / EBITDA
2000	Novartis	BASF	$103.0	1.7x	NA
2000	Watson	Schein	980.0	2.1	13.8
2001	Alpharma	FH	660.0	3.3	NA
2001	Baxter	Asta	62.0	4.0	19.0
2002	Baxter	Wyeth E SI	305.0	1.5	NA
2002	Novartis	LEK	864.0	1.9	19.4
2003	Teva	Sicor	3,238.0	6.8	17.1
2004	Novartis	Sabex	565.0	6.3	NA
2004	Perrigo	Agis	818.0	2.0	12.6
2005	Novartis	Hexal	5,679.0	3.5	NA
2005	Novartis	Eon Labs	2,493.0	5.8	13.6
2005	Actavis	Amide	460.0	4.3	8.6
2005	Teva	Ivax	8,128.0	4.0	23.9
2005	Zentiva	Sicomed	227.0	3.3	9.9
2005	Actavis	Alpharma	810.0	1.0	10.4
2006	Ranbaxy	Terapia	324.0	4.1	11.6
2006	Wockhardt	Pinewood	150.0	2.1	11.0
2006	Actavis	Sindan	160.0	1.7	7.6
2006	Reddy's	Betapharm	570.0	2.9	12.0
2006	Barr	Pliva	2,600.0	2.5	17.0
2006	Stada	Hemopharm	49.8	2.4	12.5
2006	Mylan	Matrix	736.0	3.2	12.5
2006	Hospira	Mayne	1,893.0	2.4	13.1
2006	Actavis	Abrika	110.0	4.2	9.5
2006	Watson	Andrx	1,900.0	1.8	19.0
2006	Ranbaxy	Be-Tabs	70.0	2.2	7.7
2007	Mylan	Merck KGaA's Generics	6,800.0	2.8	15.1
2007	Sun	Taro	454.0	1.5	NA
2007	Gedeon Richter	Polpharma	1,337.0	3.0	10.5
2008	Teva	Bentley	360.0	3.2	NA
2008	Teva	Barr	9,000.0	3.6	14.8
2008	Shionogi	Sciele	1,238.0	3.2	11.7
2008	King	Alpharma	1,600.0	2.2	31.6
2009	Johnson & Johnson	Mentor	1,120.0	3.0	12.0
2009	Abbott	Advanced Medical Optics	2,800.0	2.4	11.1
2009	Glaxo	Stiefel	3,600.0	4.0	NA
2009	Watson	Arrow Group	1,750.0	2.7	NA
2009	Warner Chilcott	P&G Pharma Unit	3,100.0	1.3	3.6
2010	Cephalon	Mepha AG	590.0	1.5	NA
2010	Teva	Ratiopharm	4,930.0	2.3	11.8
2010	Endo Pharma	HealthTronic	258.0	1.4	3.7
2010	Mylan	Bioniche	550.0	4.2	NA
2010	Endo Pharma	Qualitest Pharmaceutical	1,200.0	3.4	NA
2010	Pfizer	King Pharma	3,600.0	2.5	15.7
2011	Perrigo	Paddock Labs	445.0	2.2	8.5
2011	Teva	Cephalon	6,800.0	2.4	5.6
2011	Endo Pharma	American Medical Systems	2,900.0	5.3	16.4
2011	Watson	Specifar	579.5	5.1	NA
2011	Valeant	Sanitas	511.6	4.0	13.5
2011	Teva	Taiyo Pharmaceuticals	1,300.0	2.5	NA
2011	Valeant	Dermik	425.0	1.8	NA
2011	Valeant	Ortho Dermatologics	345.0	2.3	NA
2011	Valeant	iNova	625.0	3.1	NA
2012	Watson	Ascent Pharmahealth	393.0	2.5	NA
2012	Valeant	Probiotica Laboratorios	86.3	1.9	NA
		Average	**$1,685**	**3.0x**	**13.0x**
		Median	**$736**	**2.5x**	**12.3x**
		High	**$9,000**	**6.8x**	**31.6x**
		Low	**$50**	**1.0x**	**3.6x**

(1) EV means Enterprise Value. Multiples are calculated on historical sales and EBITDA.

(2) Source: Auriga USA

CATALYST CALENDAR

Date	Driver	Upcoming Event
2012		
1H12?	Drug Shortages	In 4Q11 purchased some drugs on drug shortage list to be launched in 2012
1H12	Bupivacaine Hydrochloride	Approved and pending launch, Strides JV
1H12	Midazolam	Approved and pending launch, Strides JV
1H12	Approved Products	16 ANDAs waiting to be launched, 8 with Sagent and Strides JV to be launched 1H12, some on FDA shortage list
2012	Clindamycin	Approved and pending launch, Strides JV
2012	Drug Shortages	Obama executive order to expedite reviews and plant inspections for drug shortage ANDAs
2012	Drug Shortages	Up to 250 drugs in short supply in US market
2012	Drug Shortages	Launch some more of the pipeline of 24 products
2012	Product approvals	Expect 14 anticipated approvals
2012	Business Development	Continue to expand partnership network, strategic M&A, product acquisitions, new technologies
2012?	Amiodarone	Return to market with plastic syringe
2012+	ANDAs Pending	59 ANDAs across 32 products on file at FDA expected to be approved over 2012 and 2013
2012+	ANDAs in Development	30 ANDAs comprising 27 products under active development, several filed by end of 2011
2013+		
1Q13	Adenosine PIV drug	Launch per settlement, can enter earlier if others enter
2013	Dobfar Agreement	Expires, can be renewed for successive one year terms
2013	KSP Facility	FDA inspection complete and product approvals, 8 to 10 products on drug shortage list
End of 2013	Gross Margin	Mid 30% run rate (so could be say December of 2013)
June 2016	Gland Agreement	Expires, renews automatically for one year period unless either party terminates

Source: Auriga USA

FINANCIAL MODEL

($ in MM, except per share amounts)	SGNT 2012 Guidance	Midpoint	Auriga Estimates
Net Revenue	$220 to $250	$235	$232
Gross Margin (% of Net Revenue)[2]	20% to 23%	22%	21%
Product Development Expense[3]	$22M to $26MM	$24	$22
SG&A[4]	$30MM to $34MM	$32	$30
Net Income	Breakeven to net loss of $5MM	($2.5)	($5)
Cash Flow from Operations	Breakeven		($19)
Capital Expenditures	Negative		($4)

Source: Auriga USA and company reports
(1) Sales driven by a minimum of 18 new product launches, pricing and market shortages.
(2) Gross margin does not include $6MM to $8MM of earnings directly related to the sale of product through SGNT JV with Strides which is reported in the Equity in net income in JV caption of the income statement.
(3) Additional 12 to 15 new ANDA filings with the FDA.
(4) Driven by annualization of public company costs, selected investment to support new product launches and increased non-cash stock compensation expense.
(5) Expect 1Q12 sales to be down from 4Q11 sales with slight margin contraction in 1Q12.
(6) Expect higher value launches in 2H12 similar to what was seen in 2011.

($ in MM, except per share amounts)	SGNT 2013 Guidance	Auriga 4Q13 Estimates
Revenue run rate end of 2013	$400MM	$295
Gross Margin run rate end of 2013	Mid-30s	35%
EBITDA run rate end of 2013	20% to 25%	18.9%

Source: Auriga USA and company reports

Exhibit 1

Sagent Pharmaceuticals - Quarterly Income Statement Analysis 2009-2018E

($ in Millions, Except EPS)																			
(Year Ended December 31)	**2009**	**2010**	**2011**	**1Q12E**	**2Q12E**	**3Q12E**	**4Q12E**	**2012E**	**1Q13E**	**2Q13E**	**3Q13E**	**4Q13E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	***CAGR 13-18***
Total Sales	29.2	74.1	152.4	37.0	60.0	64.0	70.8	231.8	70.5	71.7	72.0	73.7	287.9	334.1	375.3	412.0	444.7	473.8	**10.5**
COGS	28.8	65.0	133.6	33.7	49.2	48.6	52.4	183.9	50.1	48.7	47.5	47.9	194.2	217.2	242.1	263.7	282.4	298.5	
Gross Profit	0.4	9.0	18.8	3.3	10.8	15.4	18.4	47.9	20.5	22.9	24.5	25.8	93.6	116.9	133.2	148.3	162.3	175.3	
R&D	12.4	11.2	12.8	5.4	5.4	5.6	5.6	22.0	5.7	5.7	5.9	5.9	23.1	24.3	25.5	26.7	28.1	29.5	
SG&A	16.7	18.9	25.1	7.5	7.5	7.5	7.5	30.0	7.9	7.9	7.9	7.9	31.5	33.1	34.7	36.5	38.3	40.2	
Other/JV costs (income)	1.5	1.5	2.5	0.9	0.9	(1.0)	(3.8)	(3.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.0)	(5.0)	(6.0)	(7.0)	(8.0)	(9.0)	
Operating Income	(30.1)	(22.6)	(21.7)	(10.5)	(3.0)	3.3	9.1	(1.1)	7.9	10.4	11.7	13.0	43.0	64.6	79.0	92.1	104.0	114.6	**21.6**
Interest Income	0.1	0.0	0.3	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.5	1.3	2.2	3.5	5.2	7.1	
Interest Expense	(0.5)	(1.1)	(4.2)	(0.3)	0.0	0.0	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	(0.8)	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Non-Operating Items	(0.4)	(1.9)	(4.7)	(0.2)	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.5	1.3	2.2	3.5	5.2	7.1	
Pre-tax Income	(30.5)	(24.5)	(26.4)	(10.6)	(2.9)	3.4	9.2	(0.9)	8.0	10.5	11.8	13.2	43.5	65.9	81.3	95.7	109.1	121.7	
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	-500.8%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
Taxes	0.0	0.0	0.0	0.0	0.0	1.2	3.2	4.4	2.8	3.7	4.1	4.6	15.2	23.0	28.4	33.5	38.2	42.6	
Net Income	(30.5)	(24.5)	(26.4)	(10.6)	(2.9)	2.2	6.0	(5.3)	5.2	6.8	7.7	8.6	28.3	42.8	52.8	62.2	70.9	79.1	**22.8**
Average Shares Outstanding			20.1	28.0	28.1	28.2	28.3	27.6	27.8	27.8	27.8	27.8	27.8	28.0	28.2	28.4	28.6	28.8	
Operating EPS			**($1.32)**	**($0.38)**	**($0.10)**	**$0.08**	**$0.21**	**($0.19)**	**$0.19**	**$0.25**	**$0.28**	**$0.31**	**$1.02**	**$1.53**	**$1.87**	**$2.19**	**$2.48**	**$2.75**	**21.9**
% Change																			
Total Sales		*153.4%*	*105.8%*	*21.9%*	*86.0%*	*55.0%*	*45.9%*	*52.1%*	*90.6%*	*19.5%*	*12.4%*	*4.1%*	*24.2%*	*16.1%*	*12.3%*	*9.8%*	*7.9%*	*6.5%*	
COGS		*125.9%*	*105.6%*	*30.7%*	*66.8%*	*41.6%*	*19.0%*	*37.6%*	*48.7%*	*-0.9%*	*-2.4%*	*-8.6%*	*5.6%*	*11.8%*	*11.5%*	*8.9%*	*7.1%*	*5.7%*	
Gross Profit		*1969.3%*	*107.6%*	*-27.4%*	*292.9%*	*121.4%*	*309.6%*	*155.2%*	*514.2%*	*112.4%*	*59.3%*	*40.1%*	*95.5%*	*24.9%*	*13.9%*	*11.3%*	*9.4%*	*8.0%*	
R&D		*-9.5%*	*13.7%*	*128.7%*	*128.0%*	*62.1%*	*22.2%*	*72.4%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
SG&A		*13.5%*	*32.8%*	*50.8%*	*15.8%*	*12.1%*	*7.0%*	*19.3%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	
Other		*-1.0%*	*71.5%*	*33.7%*	*71.8%*	*-349.4%*	*-507.3%*	*-218.5%*	*-211.1%*	*-211.1%*	*0.0%*	*-73.7%*	*33.3%*	*25.0%*	*20.0%*	*16.7%*	*14.3%*	*12.5%*	
Operating Income		*-25.0%*	*-4.0%*	*206.2%*	*-54.5%*	*-190.0%*	*-213.7%*	*-94.9%*	*-175.7%*	*-444.6%*	*260.1%*	*43.1%*	*-3997.0%*	*50.1%*	*22.3%*	*16.6%*	*12.8%*	*10.3%*	
Interest Income		*-48.5%*	*735.3%*	*586.9%*	*133.0%*	*25.5%*	*24.3%*	*83.8%*	*-4.1%*	*-4.1%*	*-4.1%*	*-4.1%*	*-4.1%*	*150.6%*	*77.9%*	*58.4%*	*45.7%*	*37.0%*	
Interest Expense		*141.8%*	*271.6%*	*-42.3%*	*-100.0%*	*-100.0%*	*-100.0%*	*-92.8%*	*-100.0%*	*NM*	*NM*	*NM*	*-100.0%*	*NM*	*NM*	*NM*	*NM*	*NM*	
Other		*NM*	*3.1%*	*-100.0%*	*-100.0%*	*NM*	*NM*	*-100.0%*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	
Non-Operating Items		*375.8%*	*148.9%*	*-82.3%*	*-108.3%*	*-111.7%*	*-111.8%*	*-104.7%*	*-173.8%*	*-4.1%*	*-4.1%*	*-4.1%*	*125.4%*	*150.6%*	*77.9%*	*58.4%*	*45.7%*	*37.0%*	
Pre-tax Income		*-19.8%*	*7.9%*	*143.2%*	*-64.8%*	*-171.5%*	*-201.3%*	*-96.7%*	*-175.7%*	*-464.5%*	*249.9%*	*42.5%*	*-5034.1%*	*51.2%*	*23.4%*	*17.7%*	*14.1%*	*11.5%*	
Tax Rate		*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*0.0%*	*0.0%*	*-107.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Taxes		*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*NM*	*249.9%*	*42.5%*	*244.8%*	*51.2%*	*23.4%*	*17.7%*	*14.1%*	*11.5%*	
Net Income		*-19.8%*	*7.9%*	*143.2%*	*-64.8%*	*-146.4%*	*-165.9%*	*-79.9%*	*-149.2%*	*-336.9%*	*249.9%*	*42.5%*	*-633.8%*	*51.2%*	*23.4%*	*17.7%*	*14.1%*	*11.5%*	
Average Shares Outstanding		*NM*	*NM*	*1239.1%*	*26.4%*	*1.0%*	*1.4%*	*37.3%*	*-0.6%*	*-0.9%*	*-1.3%*	*-1.6%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*0.7%*	
Operating EPS		*NM*	*NM*	*-81.8%*	*-72.2%*	*-146.0%*	*-164.9%*	*-85.5%*	*-149.5%*	*-339.1%*	*254.4%*	*44.8%*	*-630.0%*	*50.2%*	*22.5%*	*16.9%*	*13.3%*	*10.7%*	

Source: Auriga USA and company reports

Exhibit 2

Sagent Pharmaceuticals - Quarterly Margin Analysis 2009-2018E

	2009	2010	2011	1Q12E	2Q12E	3Q12E	4Q12E	2012E	1Q13E	2Q13E	3Q13E	4Q13E	2013E	2014E	2015E	2016E	2017E	2018E
Total Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COGS	98.5%	87.8%	87.7%	91.0%	82.0%	76.0%	74.0%	79.3%	71.0%	68.0%	66.0%	65.0%	67.5%	65.0%	64.5%	64.0%	63.5%	63.0%
Gross Margin	1.5%	12.2%	12.3%	9.0%	18.0%	24.0%	26.0%	20.7%	29.0%	32.0%	34.0%	35.0%	32.5%	35.0%	35.5%	36.0%	36.5%	37.0%
R&D	42.4%	15.2%	8.4%	14.6%	9.0%	8.8%	7.9%	9.5%	8.0%	7.9%	8.2%	8.0%	8.0%	7.3%	6.8%	6.5%	6.3%	6.2%
SG&A	57.1%	25.6%	16.5%	20.3%	12.5%	11.7%	10.6%	12.9%	11.2%	11.0%	10.9%	10.7%	10.9%	9.9%	9.3%	8.9%	8.6%	8.5%
Other	5.1%	2.0%	1.7%	2.4%	1.5%	-1.6%	-5.4%	-1.3%	-1.4%	-1.4%	-1.4%	-1.4%	-1.4%	-1.5%	-1.6%	-1.7%	-1.8%	-1.9%
Oper. Inc.	-103.1%	-30.5%	-14.2%	-28.3%	-5.0%	5.1%	12.9%	-0.5%	11.2%	14.5%	16.3%	17.7%	15.0%	19.3%	21.1%	22.4%	23.4%	24.2%
Non-Oper. Items	-1.4%	-2.6%	-3.1%	-0.5%	0.2%	0.2%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%	0.6%	0.9%	1.2%	1.5%
Pretax Income	-104.5%	-33.1%	-17.3%	-28.7%	-4.8%	5.3%	13.1%	-0.4%	11.4%	14.7%	16.4%	17.9%	15.1%	19.7%	21.7%	23.2%	24.5%	25.7%
Net Income	-104.5%	-33.1%	-17.3%	-28.7%	-4.8%	3.4%	8.5%	-2.3%	7.4%	9.5%	10.7%	11.6%	9.8%	12.8%	14.1%	15.1%	15.9%	16.7%

Source: Auriga USA and company reports

Exhibit 3

Sagent Pharmaceuticals- Quarterly Revenue Model 2009-2018E

($ in Millions)																		
(Year Ended December 31)	**2009**	**2010**	**2011**	**1Q12E**	**2Q12E**	**3Q12E**	**4Q12E**	**2012E**	**1Q13E**	**2Q13E**	**3Q13E**	**4Q13E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**
Global Base Business Sales	29.2	74.1	152.4	32.0	35.0	37.0	36.8	140.8	32.8	33.3	33.4	34.2	133.8	127.1	120.7	114.7	108.9	103.5
New Product Launches (only forecasts not historicals)	0.0	0.0	0.0	5.0	25.0	27.0	34.0	91.0	37.8	38.4	38.5	39.4	154.1	207.0	254.6	297.3	335.8	370.3
Total Revenues	**29.2**	**74.1**	**152.4**	**37.0**	**60.0**	**64.0**	**70.8**	**231.8**	**70.5**	**71.7**	**72.0**	**73.7**	**287.9**	**334.1**	**375.3**	**412.0**	**444.7**	**473.8**
% Change																		
Total Revenues		*153.4%*	*105.8%*	*21.9%*	*86.0%*	*55.0%*	*45.9%*	*52.1%*	*90.6%*	*19.5%*	*12.4%*	*4.1%*	*24.2%*	*16.1%*	*12.3%*	*9.8%*	*7.9%*	*6.5%*

Source: Auriga USA and company reports

Exhibit 4

Sagent Pharmaceuticals - Annual Revenue Model 2009-2018E

($ in Millions)	Year Ended December 31st,										2010/	2011/	2012E/	2013E/	2014E/	2015E/	2016E/	2017E/	2018E/	CAGR
	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	13-18
Revenues																				
Heparin	0.0	18.8	39.6	37.6	35.8	34.0	32.3	30.7	29.1	27.7	*NM*	*110.8%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Gemcitabine	0.0	0.0	7.6	7.2	6.9	6.5	6.2	5.9	5.6	5.3	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Cefepime	0.0	17.7	19.1	18.1	17.2	16.3	15.5	14.7	14.0	13.3	*NM*	*7.6%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Levofloxacin	0.0	0.0	10.7	10.1	9.6	9.1	8.7	8.3	7.8	7.4	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Topotecan	0.0	0.9	13.0	12.3	11.7	11.1	10.6	10.0	9.5	9.0	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Adenosine	0.0	4.1	6.9	6.5	6.2	5.9	5.6	5.3	5.0	4.8	*NM*	*67.3%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Other Global Base Business Sales	29.2	32.6	51.4	48.9	46.4	44.1	41.9	39.8	37.8	35.9	*11.4%*	*58.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Total Base Business Sales	**29.2**	**74.1**	**152.4**	**140.8**	**133.8**	**127.1**	**120.7**	**114.7**	**108.9**	**103.5**	***153.4%***	***105.8%***	***-7.6%***	***-5.0%***	***-5.0%***	***-5.0%***	***-5.0%***	***-5.0%***	***-5.0%***	***-5.0%***
Identified Pipeline Generics (Risk-Adjusted)																				
Clindamycin	0.0	0.0	0.0	6.0	5.7	5.4	5.1	4.9	4.6	4.4	*NM*	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Amiodarone	0.0	0.0	0.0	6.0	5.7	5.4	5.1	4.9	4.6	4.4	*NM*	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Bupivacaine Hydrochloride	0.0	0.0	0.0	6.0	5.7	5.4	5.1	4.9	4.6	4.4	*NM*	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Midazolam	0.0	0.0	0.0	6.0	5.7	5.4	5.1	4.9	4.6	4.4	*NM*	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Adenosine PIV drug	0.0	0.0	0.0	0.0	4.0	3.8	3.6	3.4	3.3	3.1	*NM*	*NM*	*NM*	*NM*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*NM*
Identified New Product Lauches and Key Drugs	0.0	0.0	0.0	24.0	26.8	25.5	24.2	23.0	21.8	20.7	*NM*	*NM*	*NM*	*11.7%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*	*-5.0%*
Undisclosed New Product Launches	0.0	0.0	0.0	67.0	127.3	181.6	230.4	274.4	313.9	349.5	*NM*	*NM*	*NM*	*90.0%*	*42.6%*	*26.9%*	*19.1%*	*14.4%*	*11.3%*	*22.4%*
Total New Product Launches and Key Drugs	**0.0**	**0.0**	**0.0**	**91.0**	**154.1**	**207.0**	**254.6**	**297.3**	**335.8**	**370.3**	***NM***	***NM***	***NM***	***69.3%***	***34.3%***	***23.0%***	***16.8%***	***12.9%***	***10.3%***	***19.2%***
Total Revenues	**$29.2**	**$74.1**	**$152.4**	**$231.8**	**$287.9**	**$334.1**	**$375.3**	**$412.0**	**$444.7**	**$473.8**	***153.4%***	***105.8%***	***52.1%***	***24.2%***	***16.1%***	***12.3%***	***9.8%***	***7.9%***	***6.5%***	***10.5%***

Source: Auriga USA and company reports

Exhibit 5

Sagent Pharmaceuticals - Cash Flow Analysis 2009-2018E

($ in Millions)

(Year ended December 31)	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Cash flows provided by Operating Activities:										
Net Income	(30.5)	(24.5)	(26.4)	(5.3)	28.3	42.8	52.8	62.2	70.9	79.1
Depreciation and Amortization	4.2	1.2	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Other	2.1	3.2	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Changes in Working Capital	(18.6)	(7.8)	(3.5)	(17.4)	(11.1)	(9.9)	(9.0)	(8.0)	(7.1)	(6.3)
Net cash provided by Operating Activities	**($42.8)**	**($27.8)**	**($20.4)**	**($19.1)**	**$20.8**	**$36.6**	**$47.5**	**$57.8**	**$67.5**	**$76.4**
Cash flows from Investing Activities										
Capital Expenditure	(0.5)	(0.3)	(0.3)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)
Funding of Restricted Cash	0.3	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in Unconsolidated Joint Venture	(7.5)	(5.2)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(4.6)	(1.8)	(78.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in Investing Activities	**($12.4)**	**($7.3)**	**($79.6)**	**($4.0)**	**($4.0)**	**($4.0)**	**($4.0)**	**($4.0)**	**($4.0)**	**($4.0)**
Cash flows from Financing Activities										
Additions to Notes Payable	4.5	16.2	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance (Repayment) of Long Term Debt	0.0	0.0	12.3	(4.1)	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Preferred Stock	30.0	45.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Common Stock	0.1	0.2	101.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.3)	(0.1)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by Financing Activities	**$34.3**	**$61.7**	**$117.8**	**($4.1)**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Net (decrease) increase in cash and equivalents	**($17.9)**	**$26.6**	**$17.8**	**($27.2)**	**$16.8**	**$32.6**	**$43.5**	**$53.8**	**$63.5**	**$72.4**
Cash and equivalents at beginning of year	**25.7**	**7.7**	**34.4**	**52.2**	**25.0**	**41.8**	**74.4**	**117.9**	**171.7**	**235.1**
Cash and equivalents at end of year	**$7.7**	**$34.4**	**$52.2**	**$25.0**	**$41.8**	**$74.4**	**$117.9**	**$171.7**	**$235.1**	**$307.6**

Source: Auriga USA and company reports

Exhibit 6

Sagent Pharmaceuticals - Balance Sheet Analysis 2009-2018E

($ in Millions)

(Year ended December 31)	2009	2010	2011	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Assets										
Cash and Cash Equivalent	7.7	34.4	52.2	25.0	41.8	74.4	117.9	171.7	235.1	307.6
Restricted Cash and Cash Equivalents	0.3	0.2	73.8	73.8	73.8	73.8	73.8	73.8	73.8	73.8
Accounts Receivable	6.9	18.9	29.0	44.1	54.8	63.6	71.5	78.5	84.7	90.2
Inventories	19.0	30.6	41.5	57.1	60.3	67.4	75.2	81.9	87.7	92.7
Prepaid Expense and Other Current Assets	9.1	6.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Total Current Assets	**43.0**	**90.4**	**200.8**	**204.4**	**235.1**	**283.6**	**342.6**	**410.1**	**485.6**	**568.6**
Plant, Property & Equipment	0.7	0.8	0.9	1.3	1.6	2.0	2.4	2.8	3.1	3.5
Investment in Joint Venture	19.5	24.5	22.8	22.8	22.8	22.8	22.8	22.8	22.8	22.8
Other Assets	2.0	2.9	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Total Other Assets	**22.1**	**28.2**	**29.7**	**30.0**	**30.4**	**30.8**	**31.2**	**31.5**	**31.9**	**32.3**
TOTAL ASSETS	**65.1**	**118.6**	**230.5**	**234.4**	**265.5**	**314.4**	**373.8**	**441.7**	**517.6**	**600.9**
Liabilities & Shareholder's Equity										
Accounts Payable	17.3	24.4	35.4	48.7	51.4	57.5	64.1	69.9	74.8	79.1
Notes Payable	4.5	20.7	24.9	24.9	24.9	24.9	24.9	24.9	24.9	24.9
Other	4.9	12.4	23.9	23.9	23.9	23.9	23.9	23.9	23.9	23.9
Total Current Liabilities	**26.8**	**57.6**	**84.1**	**97.5**	**100.2**	**106.3**	**112.9**	**118.6**	**123.5**	**127.8**
Long Term Debt	0.0	0.0	4.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	0.1	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total Liabilities	**26.9**	**57.6**	**88.8**	**98.1**	**100.8**	**106.9**	**113.5**	**119.2**	**124.2**	**128.4**
Common Stock Net	113.0	157.8	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Additional Paid in Capital	1.1	3.6	268.2	268.2	268.2	268.2	268.2	268.2	268.2	268.2
Shareholders Equity	(75.9)	(100.4)	(126.8)	(132.1)	(103.8)	(61.0)	(8.2)	54.0	124.9	204.0
Total Stockholder's Equity	**38.2**	**61.0**	**141.7**	**136.4**	**164.7**	**207.5**	**260.3**	**322.5**	**393.4**	**472.5**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**65.1**	**118.6**	**230.5**	**234.4**	**265.5**	**314.4**	**373.8**	**441.7**	**517.6**	**600.9**

Source: Auriga USA and company reports

APPENDIX

COMPANY OVERVIEW

SGNT is a specialty pharmaceutical company focused on the development and commercialization of generic injectable drugs (anti-infectives, oncoloytics and critical care). The company was incorporated in Schaumberg, Illinois, and began operations in 2006. In April of 2011, SGNT completed its Initial Public Offering, issuing 6.6MM common shares at $16 per share (over $100MM in net proceeds to SGNT).

Since its inception, SGNT has rapidly expanded its portfolio and pipeline of generic injectable drugs. SGNT markets 33 products with 87 presentations of which 16 are regularly on the shortage list. SGNT has 41 products pending launch or awaiting approval, representing 76 ANDAs and 20 of these are on the drug shortage list. The company has 31 products in its pipeline and 9 are manufactured by KSP. These are targeted at reducing drug shortages.

SGNT has established a large network of ~50 partners to source its API (active pharmaceutical ingredients), product development, manufacturing and other objectives. In return, the company leverages its regulatory expertise and US-based sales force to provide its partners access to the US market. SGNT also has an in-house quality assurance and facility compliance team that works with its partners to ensure product safety as well as cGMP compliant manufacturing standards at its partner facilities.

The company is also trying to diversify its revenue streams to decrease undue reliance on any particular category. The figure below highlights that the company has been making progress on its objective. We expect to see even more sales diversification over time.

Figure 2: SGNT Diversifying Sales

4Q11 Sales Breakdown ($ in MMs of $US)

Category	Sales	% Total
Anti-infectives	$20.9MM	43%
Critical care	$16.2MM	34%
Oncology	$11.4MM	23%
Total	**$48.5MM**	**100%**

4Q10 Sales Breakdown ($ in MMs of $US)

Category	Sales	% Total
Anti-infectives	$14.3MM	43%
Critical care	$14.6MM	43%
Oncology	$4.7MM	14%
Total	**$33.6MM**	**100%**

Source: SGNT 4Q11 earnings call

SGNT was founded on three strategic priorities:

Build the Foundation. The foundation of SGNT's business model is a worldwide collaboration network. SGNT is flexible and has an experienced sales force that can drive commercial success. The company's average facility is significantly newer than most facilities in the US; the average facility in the US is over 35 years old and SGNT's facilities are 3 to 5 years old. As we saw in 2011, these older facilities have higher exposure to manufacturing and regulatory issues. SGNT's facilities operate with limited manual intervention. Also, SGNT's China facility, KSP, is now fully operational. KSP filed its first submission in late 2011 and another submission was filed in early 2012. SGNT's goal is to trigger FDA inspection as soon as possible. Once the FDA finishes inspection, SGNT can market critical oncology shortage products and also sterile injectables for domestic China and other emerging markets as well.

SGNT has also been making an effort to increase the price of generic injectable drugs. The American Society of Health-System Pharmacists has agreed that the generic injectables industry needs more rational pricing. The average hospital pharmacist spends too much time managing shortages. SGNT believes that pharmacists look toward companies like SGNT to eliminate shortages of key critical drugs. SGNT markets 33 products with 87 presentations of which 16 are regularly on the shortage list. SGNT has 41 products pending launch or awaiting approval, representing 76 ANDAs and 20 of these are on the drug shortage list. The company has 31 products in its pipeline and 9 are manufactured by KSP. These are targeted at reducing drug shortages.

Finally, SGNT is targeting several key objectives to improve its gross margin: 1) Improving generic injectable drug pricing: 2) Lower manufacturing costs: 3) Better API cost concessions: 4) The launch of higher value drugs with barriers to entry: 5) The launch of drugs at market formation; and 6) Exiting less profitable products.

Drive launches. In 2011 SGNT launched 12 new products and these contributed to over half of the company's growth. Sales are also becoming increasingly diversified. No single drug is greater than 20% of revenues. The top 10 drugs are less than 80% of revenues. Last year, the top 10 drugs represented 90% of revenues. SGNT is forecasting a minimum of 18 product launches in 2012 and these will be weighted toward 2H12, similar to what happened in 2011.

Invest for the future. SGNT believes that its earlier investments are bearing fruit. The company continues to invest and is looking for niche, proprietary, injectable drugs. SGNT is working on reformulation of existing high volume generic injectables. It is also evaluating potential opportunities for vertical integration. SGNT has been strategic about the deployment of its IPO proceeds. Since inception, SGNT has filed or licensed 144 ANDAs with an average investment cost of $350K per ANDA. Management noted that its highest ROIC are from its internal development initiatives. SGNT believes that these investments will ensure the sustainability of its sales through 2016+.

BUSINESS MODEL AND PARTNERSHIP NETWORK

SGNT has ~50 business partners worldwide and access to 37 FDA approved facilities. The company's unique business model gives it flexibility to effectively maneuver around competitors and capitalize on changing dynamics in the generic injectable market.

There are four key attributes to SGNT's business model:

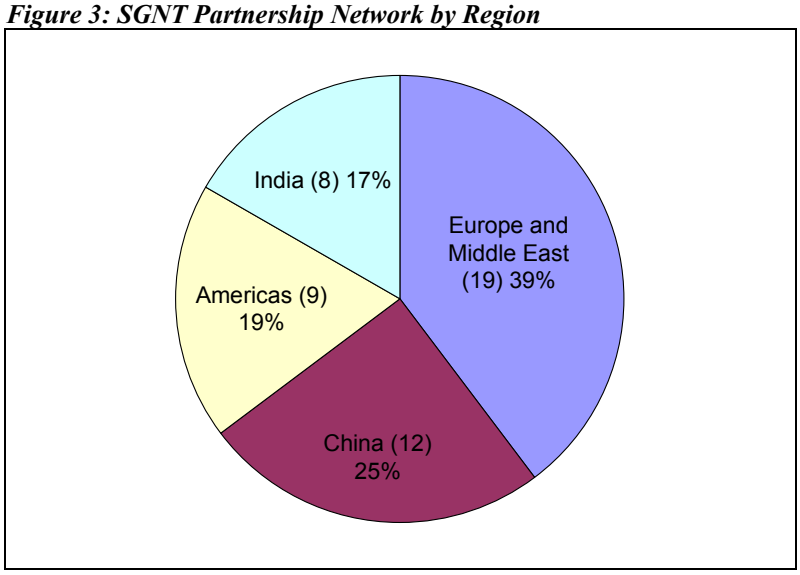
1. **Consistent and reliable supply:** Access to multiple API sources, facilities, and large manufacturing capacity, limits the threat of product disruption for SGNT. This positions the company well to become a reliable and consistent supplier of generic injectable drugs in the US. Many injectable drugs on the FDA's critical shortage list include products that have been discontinued by competitors due to pricing pressure and lower profitability. SGNT has the flexibility to develop and market these products without forfeiting production of other large market, high margin products.

2. **Limited exposure to manufacturing setbacks:** One of the primary advantages of SGNT's business model is that the company is not reliant on a limited number of manufacturing facilities. Furthermore, SGNT's facilities are approximately three years old, versus other injectable facilities in the US market which average 35 years in age. SGNT's plants have been designed by FDA consultants and are built with state-of-the-art equipment. For example, SGNT's isolator line in its Chengdu facility (with KSP) limits human intervention in key aspects of manufacturing processes, reducing errors. These qualities reduce the potential for regulatory setbacks that have disrupted ANDA approvals and product launches for its competitors.

3. **Access to a wide range of custom dosage forms:** SGNT's business model allows the company to leverage its network to develop a wide range of injectable dosage forms. Therefore, SGNT is able to customize its product offerings.

4. **Low cost manufacturing:** Most of SGNT's partnerships are located in emerging markets such as China and India where manufacturing costs are low. This improves SGNT's gross margins and gives the company pricing flexibility.

Figure 3: SGNT Partnership Network by Region



Source: Auriga USA and company reports

The term of the agreements vary among SGNT's partners. The most important point to note is that these agreements are generally made to be flexible so both parties can profit even if market conditions and/or the competitive landscape changes. We outline several typical agreements for SGNT in the figure below.

Figure 4: Types of Partnership Agreements

Type of Agreement	Description
Manufacture & Supply Agreements	Partners manufacture and supply SGNT with finished products. SGNT generally has the rights to sell, market and distribute in the US. In certain cases, primarily exclusive agreements, SGNT is required to maintain a specified market share. SGNT pays a transfer price per unit of each product which is open to negotiation depending market conditions. Terms may include a percentage of net profit from sales. Agreements are typically 7 to 8 years from date of launch and can be renewed for one to two year periods
Development, Manufacture & Supply Agreements	Partners will develop as well as supply and manufacture the product on SGNT's behalf. Product development is done in collaboration with SGNT's technical, quality and regulatory teams. Partners provide SGNT data necessary for ANDA filing for products being developed. SGNT pays the supplier development fees upon completion of certain development milestones
Licensing & Marketing Agreements	SGNT licenses and markets generic products for the US market. The company utilizes its established infrastructure and relationships with GPOs as well as distributors to sell products to their end user customer base. SGNT is entitled to royalties based on net sales or net profit and reimbursement of its direct expenses plus additional service fees.

Source: Auriga USA and company reports

In 2009, SGNT entered into an agreement with Actavis. In 2010, SGNT's agreements with two of its partners, Dobfar and Gland accounted for 80% of its sales.

Figure 5: SGNT's Key Partnership Agreements

Partner	Duration	Terms of Agreement	Economics
Dobfar	Entered into agreement in December 2007. Initial term of the agreement expires in April 1, 2013 after which SGNT has option to renew for periods of one year	SGNT entered a manufacture and supply agreement with Dobfar and its distributor WorldGen for cefepime as well as supply agreements for eight marketed products: ampicillin, ampicillin and sulbactam, cefazolin, cefoxitin, ceftazadime, ceftriaxone, ciprofloxacin and fluconazone as well as one product under development.	SGNT pays a transfer price per unit and has a profit sharing agreement for the other products
Gland	Entered into agreement in June 2008. Initial term of the agreement expires is eight years after which the agreement automatically renews for one year period unless either party terminates the agreement	SGNT entered a development and supply agreement for heparin. As per the agreement, SGNT and Gland will jointly develop heparin products for the US market and Gland will exclusively supply heparin to SGNT only in the US. SGNT is required to maintain a minimum US market share based on IMS within 12 months following the fourth anniversary of the launch. If unsuccessful, Gland may supply heparin under the ANDA to third parties as well for the US market. SGNT also has another supply agreement with Gland for adenosine, amiodarone and other products in initial development	SGNT pays a transfer price and percentage of net profit from heparin sales to Gland. Both companies share development costs equally up to specified amount.
Actavis	Entered into agreement April 2009. Products are covered under the agreement in three to five year periods from the first sale of each product and is automatically extended for one year periods unless either parties terminate the agreement	SGNT is the exclusive US marketing partner for a portfolio of eight products developed and manufactured by Actavis under its ANDAs. Six of the products are currently marketed, one product has been filed under an ANDA and the remaining two are in development.	SGNT pays transfer price and will pay a specified percentage of net profit from sales

Source: Auriga USA and company reports

SGNT also has two notable joint ventures, Kanghong Sagent Pharmaceuticals (KSP) and Sagent Strides. These joint ventures are important because they are higher gross margin opportunities.

Kanghong Sagent Pharmaceutical (KSP). SGNT and CKT entered into a 50/50 joint venture to build a sterile injectable manufacturing facility in Chengdu, China. This facility will provide SGNT finished products for distribution in the US. Construction of the plant was completed in April of 2011 and it is awaiting FDA inspection. SGNT expects the facility to be online by the end of 2013. Products to be launched from this facility have not been included in the company's long term guidance. Furthermore, per its agreement with KSP, SGNT also has an option to enter the Chinese market. SGNT has 12 ANDAs in development for this facility with the first nine being those on the FDA's critical shortage list.

Sagent Strides. SGNT's joint venture with Strides Arcolab has been one of the company's most important relationships. SGNT currently markets 9 products from this joint venture and has 8 approved ANDAs that are pending launch. Strides is transferring production of these products into a new facility and SGNT expects a majority of these approved ANDA products to be launched by 1H12.

Figure 6: KSP and SGNT Strides

Joint Venture	Terms of Joint Venture	Status
KSP (Partner CKT)	In December 2006, SGNT and CKT established a 50/50 JV to construct and operate a FDA approved, cGMP, sterile manufacturing facility in Chengdu, China which will provide SGNT with access to a manufacturing facility. This facility will manufacture finished products for SGNT on an exclusive basis for the US and may access the Chinese domestic market. The facility will also manufacture to third parties on a contract basis.	The facility was finished in April 2011. It is currently awaiting FDA inspection which could happen as early as 2012 (expedited review), but is more likely to be in 2013.. Products that are to be manufactured in the Chengdu facility include drugs on the FDA shortage list.
Sagent Strides (Partner Strides Arcolab)	In January 2007, SGNT entered into a 50/50 JV with Strides Arcolab to sell generic injectable products manufactured by Strides into the US market.	SGNT currently markets 9 products from this joint venture and has 8 approved ANDAs that are pending launch. Strides is transferring production of these products into a new facility and SGNT expects a majority of these approved ANDA products to be launched by 1Q12.

Source: Auriga USA and company reports

PRODUCT PORTFOLIO

SGNT's products consist of a portfolio of generic injectable drugs which include anti-infectives, oncolytics and critical care products. In order to be competitive, SGNT differentiates its products through enhanced dosage forms and packaging. SGNT's product offerings include a variety of dosage sizes and delivery forms (such as single and multi dose vials, prefilled ready to use syringes, medical devices, premix bags) as well as products that can be stored at room temperature (versus those that need to be refrigerated).

All the company's products feature Prevent IV, SGNT's proprietary packaging and labeling, designed to allow healthcare professionals to clearly identify drugs and proper doses to reduce the potential for medication errors due to dispensing mistakes. The figure below highlights SGNT's product portfolio, sales and market share.

Figure 7: SGNT's Portfolio as of September 2011

SGNT Products	Brand	Launch Date	Annual Sale MMs of $ (MAT 9/11)	Market Share (as of 9/11)
Adenosine	Adenocard	December 2007	$4.7	27.9%
Ampicillin	Omnipen-N	July 2010	1.7	4.6%
Ampicillin/Sulbactam	Unasyn	September 2010	1.9	5.4%
Azithromycin	Zithromaxin	May 2009	4.9	21.0%
Bacitracin	Bacitracin	October 2010	1.1	5.9%
Cefazolin	Ancef	April 2008	2.1	4.3%
Cefepime	Maxipime	April 2008	18.4	31.0%
Cefoxitin	Mefoxin	December 2009	2.3	11.7%
Ceftazidime	Fortaz	August 2008	2.6	31.7%
Ceftriaxone	Rocephin	December 2009	2.8	3.2%
Cefuroxime	Zinacef	August 2009	0.6	12.0%
Ciprofloxacin	Cipro IV	April 2009	1.4	9.0%
Epirubicin	Ellence	August 2009	2.5	38.9%
Fluconazole	Diflucan IV	September 2009	2.7	21.1%
Fludarabine	Fludara	August 2009	3.1	22.3%
Gemcitabine	Gemzar	July 2011	9.0	1.7%
Granisetron	Kytril	January 2011	1.6	20.2%
Heparin	Heparin	July 2010	50.3	17.9%
Labetalol	Trandate	May 2010	0.3	0.2%
Levofloxacin	Levaquin	July 2011	3.9	2.6%
Mesna	Mesnex	January 2011	0.8	7.7%
Metoprolol	Lopressor	October 2010	0.3	3.1%
Paclitaxel	Taxol	September 2011	0.0	0.1%
Pamidronate	Aredia	January 2010	0.7	9.9%
Pipercillan/Tazobactam	Zosyn	July 2011	1.0	0.2%
Sumatriptan	Imitrex	February 2011	0.6	0.3%
Topotecan	Hycamtin	December 2010	13.8	19.3%
Vecuronium Bromide	Norcuron	September 2011	0.1	1.2%
Vinorelbine	Navelbine	October 2009	2.5	22.0%

Source: Auriga USA and company reports.
(1) Market share represents percentage of brand and generic sales, MAT (Moving Annual Total) September 2011.

SGNT has been successful at gaining and maintaining significant market share for the majority of its products despite competition from larger players such as Hospira, Sandoz and APP. Furthermore, the company has continued to diversity its product offering.

SGNT has had several successful drug launches.

Cefepime (Maxipime). Cefapime is SGNT's generic version of Maxipime. Initially, Apotex was the only generic on the market. SGNT launched with APP and Sandoz in April 2008. Despite being the smallest of four players, SGNT has secured 31% of the market with sales of approximately $18MM MAT ending September 2011.

Heparin. SGNT's most successful and notable product is Heparin ($50MM in sale MAT ending September 2011). In 2008, reports of contaminated heparin lead to a massive recall from two large heparin suppliers, Baxter and Braun. This left Fresenius as the only supplier of heparin to the US market. In light of this shortage, SGNT was able to identify and secure a supply agreement of alternative API sources for heparin. The company then leveraged its quality assurance, facility compliance and

regulatory capability to launch approximately nine presentations of heparin in July 2010. Two of SGNT's largest competitors are Hospira and Fresenius.

Though heparin is one of SGNT's biggest products in terms of revenue, margins for this product are very low. In 2011, additional competitors entered the heparin market, resulting in increased pricing erosion. As of 3Q11, SGNT believes pricing has stabilized. SGNT currently has 18% market share of the heparin market. We do not expect to see more competitors in the future as barriers to entry in the heparin market remain high since crude/raw material is difficult to obtain.

Topetecan (Hycamtin). SGNT launched a generic version of Hycamtin in December 2010 following the product's patent expiry. To date, the company has 19% market share even with five generics on the market including SGNT.

NEW PRODUCT OPPORTUNITIES

We believe potential earnings upside from new product opportunities are not fully reflected yet in consensus expectations. These new product opportunities could come from: 1) PIV filings; 2) Limited competition and critical shortage drugs; and 3) proprietary niche products.

1) **Paragraph IV Filings.** SGNT has historically pursued only Paragraph III (PIII) filings (not Paragraph IV (PIV) opportunities). There are two key reasons for this, in our view. (1) SGNT did not have PIV capabilities in place when it first started the company. And, (2) PIV challenges are more costly than PIII filings. Now that SGNT is a larger company with more infrastructure in place, the company is more interested in PIV challenges. Therefore, SGNT is looking at meaningful opportunities and cost effective strategies for PIV filings. For competitive reasons, most generic injectable drug companies, including SGNT do not disclose their pipeline.

2) **Limited Competition and Critical Shortage Drugs.** SGNT is focused on developing generic injectable drugs that are currently off-patent where the company can differentiate itself. This way SGNT can maintain steady market share. We think that SGNT is focused on limited competition drugs and critical shortage drugs.

   SGNT's partnership-based business model allows the company to consistently supply the US generic injectable market. Due to the limited number of players in the generic injectable market and the increasing volatility of suppliers, we believe it is important for generic injectable drug companies to focus on being a consistent and reliable source of products to its customers. SGNT's access to multiple facilities and large manufacturing capacity limits SGNT's potential for supply disruption. This positions the company well to gain meaningful market share.

   We estimate that the US injectable drug shortage represents a $1.5B market opportunity. We arrived at our $1.5B estimate by compiling a list of drugs on the FDA drug shortage list and ASHP (American Society of Health-System Pharmacists) website. We then used IMS to size these opportunities and took a discount to the IMS sales. According to a recent analysis of the drug supply chain conducted by IMS, there is significant volatility in suppliers for the drugs on the FDA's critical shortage list. Many of the products on the shortage list have been discontinued by companies due to pricing pressure and low profitability. This is exacerbated by an increase in manufacturing issues and a decrease in capacity which forces manufacturers to focus on development of higher margin products. Please see the "Injectable Drug Shortage" section for more details. We have created a list of limited competition and critical shortage drugs, many of which we believe are in SGNT's pipeline. To create the list, we used IMS data to look for generic injectable drugs that generate a minimum of $5MM annually per manufacturer. We assumed that products that annualized $5MM to $10MM in sales will have limited competition. We note a majority of these products are also currently on the ASHP drug shortage list.

   SGNT believes customers are willing to pay a premium for a consistent and reliable product supplier. SGNT is charging a higher price for critical shortage drugs. The company believes that other generic injectable competitors that want to enter at a discounted price to SGNT will eventually have to exit the market anyhow because the drugs will be unprofitable. SGNT can afford some pricing flexibility and/or pricing pressure because of its low cost manufacturing. For example, SGNT launched a critical shortage drug, paclitaxel, in 3Q11, at a higher price point than its two competitors. SGNT has noted that pull through for its paclitaxel has been good, and the drug is expected to be accretive to its gross margin. SGNT has launched several products on the FDA's critical shortage list including vecuronium bromide and paclitaxel. SGNT currently markets 10 products on the FDA critical shortage list and expects to launch 11 products in 2012. Additionally, SGNT's joint venture facility with KSP includes nine products on the FDA's critical shortage list.

   President Obama's initiative to reduce drug shortages is a positive for SGNT. In October of 2011, President Obama signed an executive order to help reduce the number of critical drugs in shortage. This may increase the possibility of an early FDA inspection of KSP's Chengdu facility which SGNT plans to use to make some critical shortage drugs.

3) **Proprietary Niche Products drive growth in 2013+.** Longer term, SGNT would like to acquire proprietary niche drugs and innovative drug delivery platforms as well as potentially enter the Chinese market, to drive growth post 2013. We highlight some of the key takeaways from these opportunities below:

   a) Proprietary niche drugs. SGNT wants to acquire proprietary niche drugs that will fit into the company's product portfolio. The company will likely add products that are accretive to its gross margin.

   b) Innovative drug delivery platforms. On SGNT's 3Q11 earnings call, the company noted that it is developing and/or looking to acquire novel drug delivery platforms to enhance its base business.

   c) Entering Chinese market. We believe that the Chinese market presents an interesting opportunity for SGNT longer term. SGNT has the option to enter the Chinese market through its KSP joint venture. We think that SGNT will enter the Chinese market when pricing and margins improve.

QUALITY ASSURANCE AND FACILITY COMPLIANCE

SGNT has an in-house quality assurance and facility compliance team that works with SGNT's partners to ensure manufacturing capabilities meet FDA standards. These teams are responsible for assessing, inspecting, qualifying and training SGNT's partners' and vendors' facilities to ensure cGMP compliance, support regulatory FDA inspection and monitor quality throughout product lifecycles. The company's ongoing qualification and compliance programs include routine audits and evaluations of its partner's facilities and manufacturing processes.

SGNT has undergone two FDA inspections without any manufacturing citations. The company has also voluntarily recalled metronidazole, ondansetron and amiodarone on its own after noting potential manufacturing issues through its internal due diligence of partner sites and finished products. We believe this is a testament to SGNT's dedication to quality products and the company's ability to provide consistent supply to the market.

SALES AND MARKETING

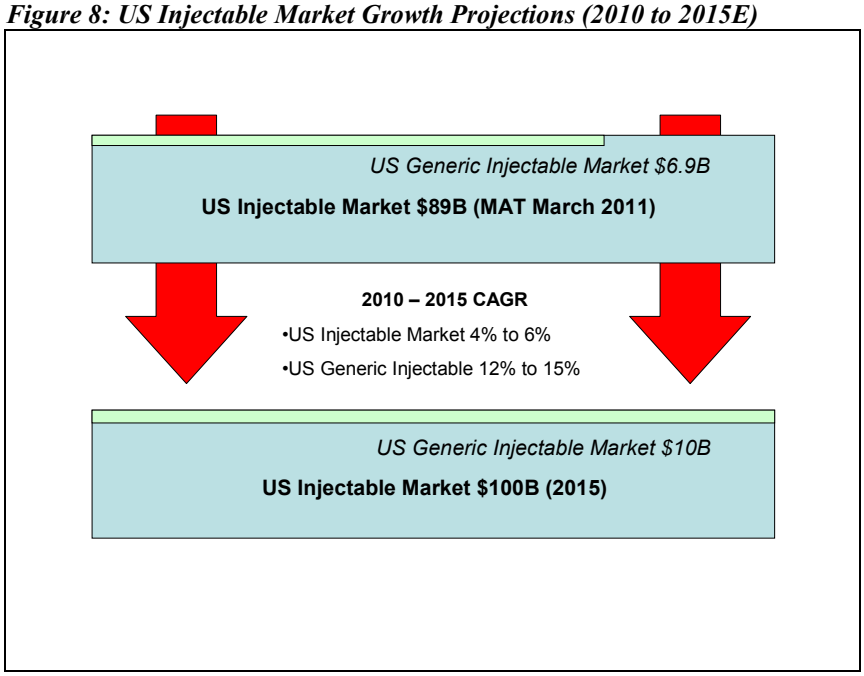
SGNT's target market is highly concentrated to key institutions including hospitals, clinics and treatment facilities. Most of these customers have relationships with group purchasing organizations (GPOs) which provide broad ranges of products from various suppliers at competitive prices. These GPOs have influence over purchasing decisions. SGNT has multi-year agreements with most GPOs to cover certain products including the five largest GPOs in the US (AmeriNet, HealthTrust, MedAssets, Novation and Premier). These five GPOs represent a majority of acute care hospitals.

SGNT distributes its products through wholesalers and specialty distributors focused on oncology and other therapeutic categories. SGNT has strong relationships with three of the largest wholesalers in the US (Cardinal Health, Amerisource and McKesson) as well as other smaller channels.

GENERIC INJECTABLES MARKET

Injectable drugs comprise approximately one third of the global pharma market. According to IMS, growth of injectable drugs is projected to outpace other drugs over the next few years.

Figure 8: US Injectable Market Growth Projections (2010 to 2015E)



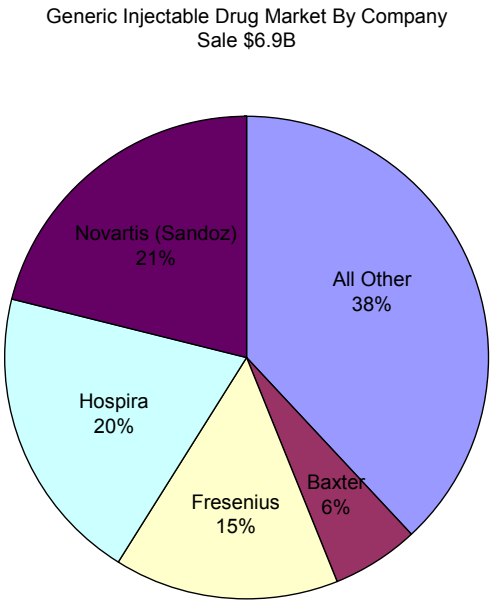
Source: IMS

COMPETITIVE LANDSCAPE

Sales in the generic injectable market are highly consolidated to a limited number of players. This is due to significant barriers to market entry.

- Difficulty developing and sourcing APIs
- Complex manufacturing processes associated with injectables
- Stringent FDA standards and sterile facility requirements

Figure 9: US Generic Injectable Market Share by Company



Source: IMS

INJECTABLES DRUG SHORTAGE

According to the FDA, in 2010, there were 178 drugs that were on the drug shortage list, of which 74%, or 132, involved sterile injectable drugs (www.fda.gov/Drugs/DrugSafety/DrugShortages/ucm050796.htm). The US FDA website lists shortages that have been reported to the Agency by manufacturers. The American Society of Health System Pharmacists (ASHP) documents shortages reported by pharmacists, hospitals and other health professionals. The ASHP usually lists drug shortages faster, but companies in the industry noted that it also has more inaccuracies. This is why we only quote the FDA figures above. When we aggregate drug shortages from both the ASHP and FDA drug shortage lists, the market for critical shortage drugs is approximately $1.5B (MAT August 2011), by our estimate.

Figure 10: FDA Injectable Drug Shortage List

INJECTABLE DRUG	September 2011 MAT
Amikacin	$2.9
Aminocaproic Acid	1.2
Ammonium Chloride	0.0
Ammonium Molybdate	0.0
Ammonul	9.1
Aquasol A	0.2
Bleomycin Sulfate	4.9
Bupivacaine	20.2
Buprenorphine	1.3
Caffeine and Sodium Benzoate	0.6
Calcitriol	3.7
Calcium Chloride	0.6
Calcium Gluconate	0.0
Cisplatin	9.5
Cyanocobalamin	12.4
Daunorubicin Hydrochloride	2.3
Desmopressin ACE	5.0
Dexamethasone	17.1
Diazepam	54.7
Digoxin	1.2
Diltiazem Hydrochloride	9.8
Doxorubicin Hydrochloride	17.4
Etoposide	8.5
Fentanyl	51.5
Fluorouracil	14.3
Foscarnet Sodium	0.0
Fosphenytoin Sodium	3.7
Furosemide	15.4
Haloperidol	43.2
Labetalol	6.2
Leucovorin	10.5
Leuprolide	7.1
Levaquin	143.5
Levofloxacin	7.7
Levoleucovorin/Fusilev	71.1
Lorazepam	20.9
Magnesium Sulfate	24.4
Mesna	9.9
Metoclopramide Hydrochloride	6.2
Mitomycin	11.4
Morphine	93.9
Nalbuphine Hydrochloride	6.5
Neostigmine Methyl	11.6
Norepinephrine Bit	2.4
Paclitaxel	45.2
Pancuronium Bromide	0.3
Phenylephrine Hydrochloride	10.3
Phytonadion	7.8
Potassium Phosphate	0.0
Procainamide Hydrochloride	3.5
Selenium	0.0
SMX/TMP	1.4
Sodium Chloride	2.2
Sodium Phosphate	0.0
Thiotepa	4.5
Vasopressin	5.8
Vecuronium Bromide	12.7
Vecuronium	0.0
Vincristine Sulfate	3.5

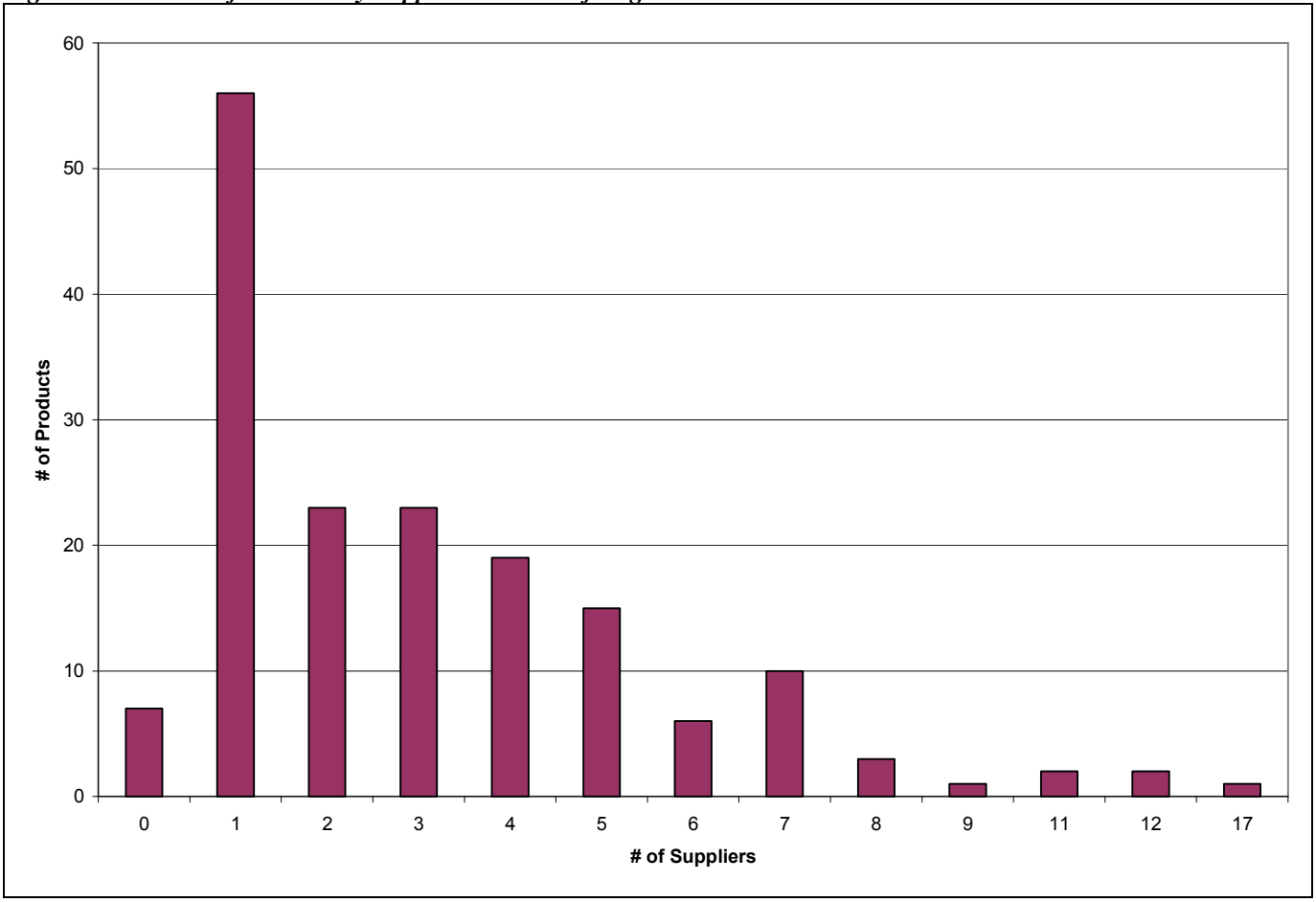
Source: Auriga USA, FDA and IMS

In a recent analysis of the drug supply chain, IMS made several key findings about products on the FDA's drug shortage list.

1) **Volatility in suppliers seems to be the primary reason for the drug shortage.** Over the past few years, the volume of drugs on the shortage list has increased. There has been significant volatility of suppliers for two thirds of the drugs in shortage. The volume of individual suppliers and market leadership has changed quickly among suppliers on a monthly basis. IMS notes that there has been an unprecedented increase in volatility in the past 12 months versus the past four years.

   Most of the drugs in shortage are supplied by one or two companies, with over half of the drugs having less than two suppliers. Therefore, if one supplier is disrupted, the demand for the product increases greatly for the other supplier(s). This inconsistency in supply is a problematic for GPOs, hospitals and clinics that require consistent supply of these drugs for their patients.

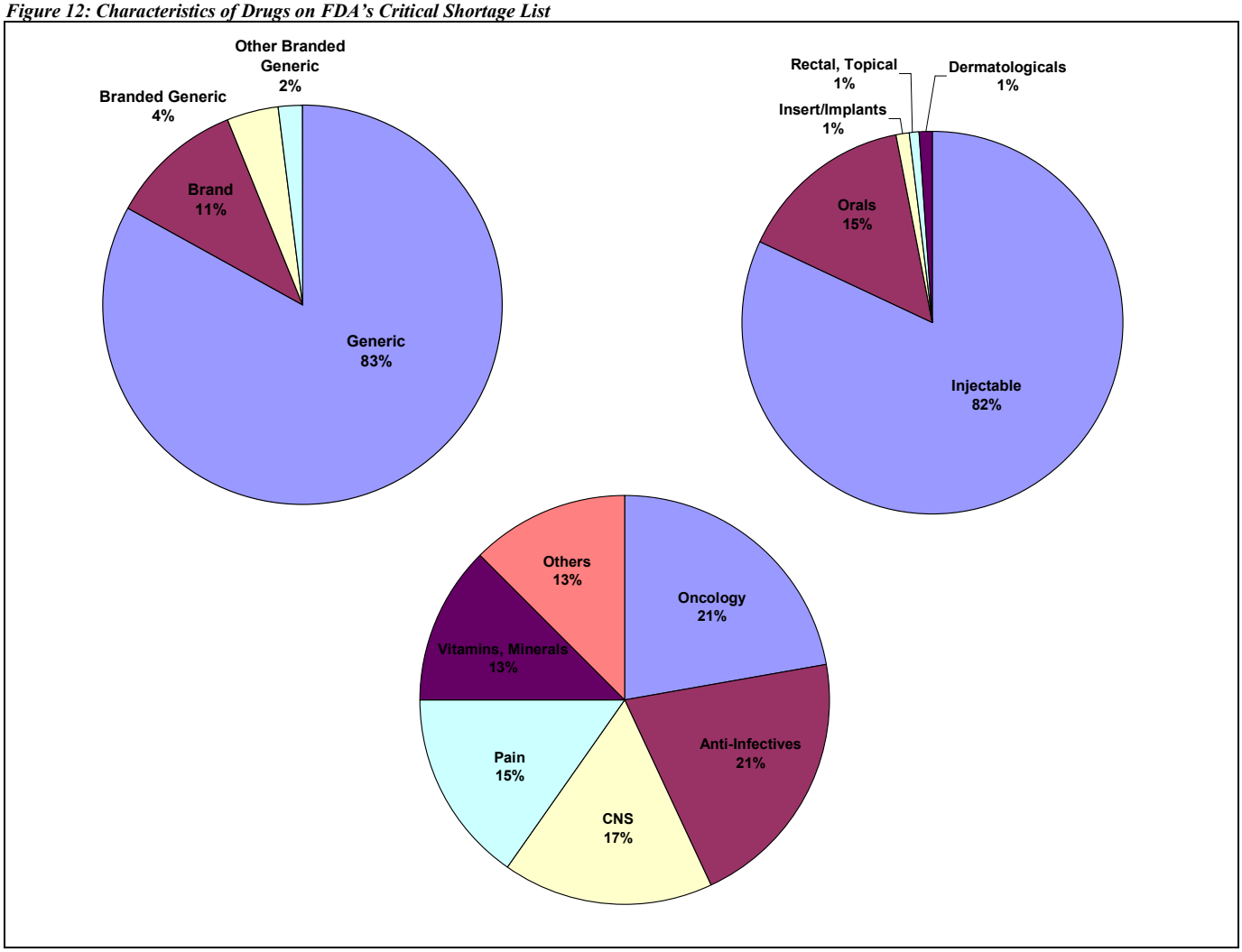
Figure 11: Number of Products by Supplier Count as of August 2011



Source: Auriga USA and IMS

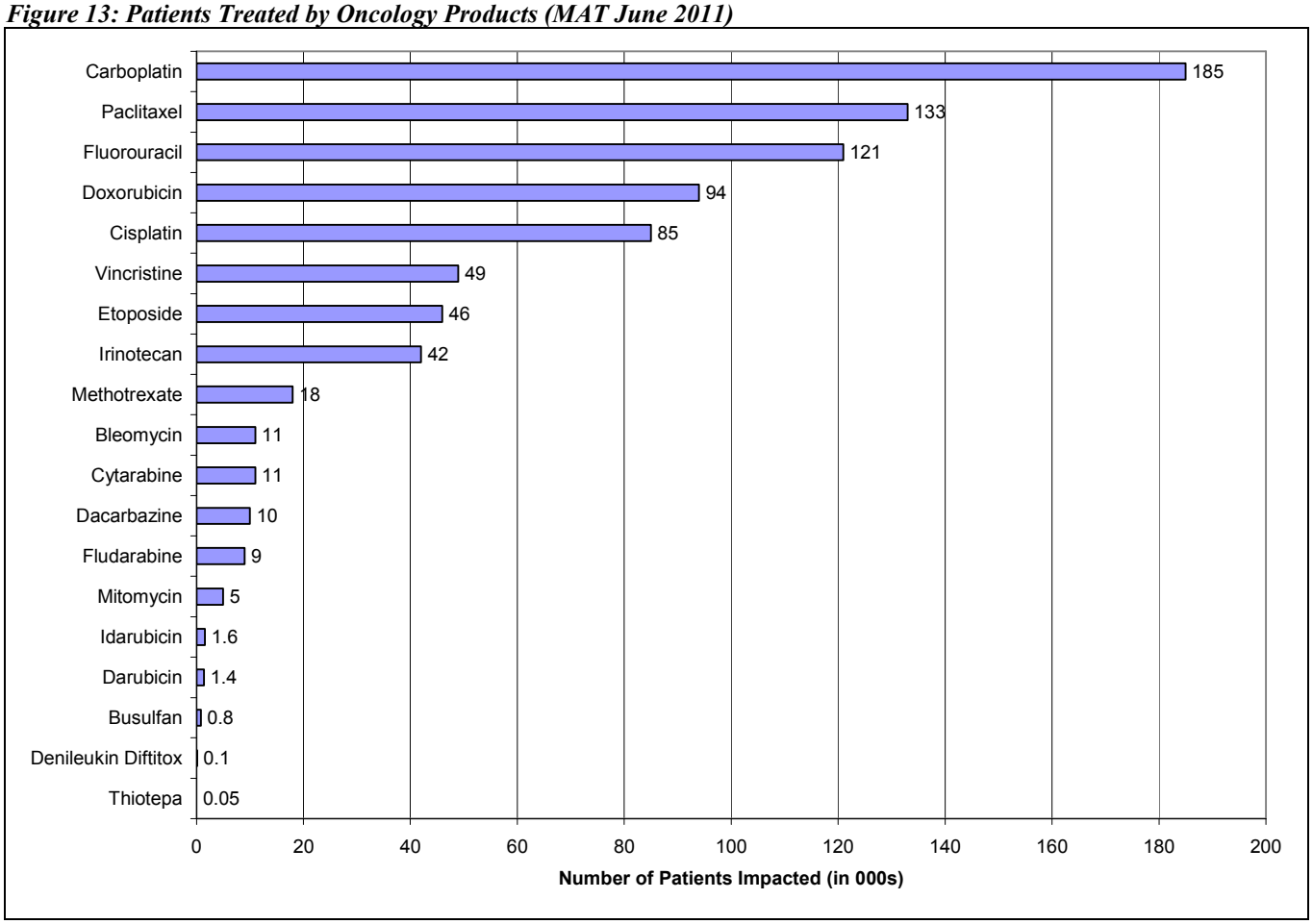
2) **Drug shortage is concentrated in drugs which are used in the acute setting.** According to IMS, the majority of the drugs on the shortage list are generic injectable drugs which include, oncolytics, anti-infectives, CV drugs, CNS drugs and pain drugs. Oncolytics are most impacted by drug shortages and IMS estimates that approximately 550,000 cancer patients are treated with at least one of the molecules on the shortage list.

Figure 12: Characteristics of Drugs on FDA's Critical Shortage List



Source: Auriga USA and IMS

Figure 13: Patients Treated by Oncology Products (MAT June 2011)



Source: Auriga USA and IMS

According to the ASHP, there are three key reasons for drug shortages:

1. **Increase in manufacturing deficiencies cited by FDA.** Manufacturers have had to recall products and halt production until issues are remediated. This has decreased manufacturing capacity.

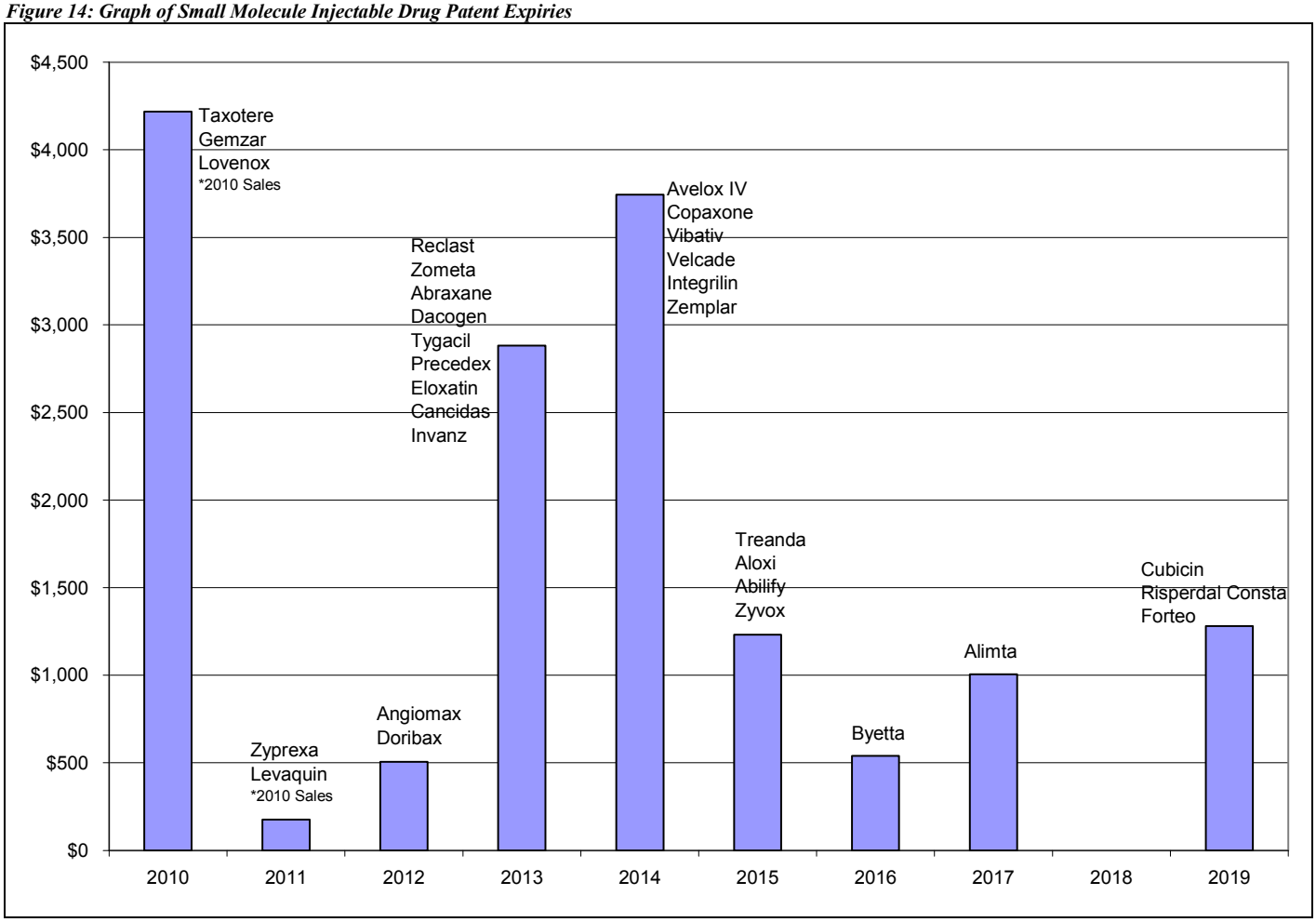
2. **Discontinuation of key products due to decreasing profitability.** Many manufacturers have discontinued production of lower margin injectable drugs in exchange for higher margin products.

3. **Increase in demand.** As suppliers exit the market due to manufacturing or profitability issues, increased demand for drugs on the shortage list has disproportionately burdened the remaining suppliers.

FUTURE INJECTABLES BRAND PATENT EXPIRIES

Approximately $9B worth of small molecule injectable drugs are expected to become generic from 2012 to 2016 with 2013 and 2014 being big years for patent expiries (approximately $6.7B products).

Figure 14: Graph of Small Molecule Injectable Drug Patent Expiries



Source: Auriga USA, IMS and company reports

M&A AND INDUSTRY CONSOLIDATION

Pharmaceutical companies have been interested in acquiring generic injectable drug manufacturers. We believe that SGNT could be an acquisition target. The Figure below highlights that generic injectable companies have, on average, been acquired for higher multiples than their counterparts (3x EV/Sales and 13x EV/EBITDA). We think that this is because of their scarcity value. The potential for a takeout of SGNT creates support for its valuation, in our view.

Figure 15: Generic Injectables Transactions

Date	Company	Acquisition Target	Enterprise Value (in MMs)	EV/Sales	EV/EBITDA
October 2003	Teva	Sicor	$3,238.0	6.8x	17.1x
June 2006	Barr	Pliva	2,600.0	2.5	17.0
September 2006	Hospira	Mayne	1,893.0	3.2	13.1
July 2008	Fresenius Kabi	APP	4,640.0	7.2	18.3
May 2009	Sandoz	Ebewe	1,300.0	4.8	16.9
December 2009	Hospira	Orchid	400.0	NA	NA
January 2010	Luitpold	PharmaForce	NA	NA	NA
March 2010	Strides Arcolab	Aspen's Brazil Injectable Facility	75.0	NA	NA
July 2010	Mylan	Bioniche	550.0	4.2	NA
October 2010	Hikma	Baxter Injectable	112.0	0.7	7.7
		Average	**$1,645.3**	**4.2x**	**15.0x**
		Median	**$1,300.0**	**4.2x**	**16.9x**
		High	**$4,640.0**	**7.2x**	**18.3x**
		Low	**$75.0**	**0.7x**	**7.7x**

Source: Auriga USA

MANAGEMENT TEAM

Jeffrey Yordon
President, CEO, Chairman of the Board
Jeffrey Yordon has been the President, CEO and Chairman of the Board for SGNT since April 2006. Prior to joining SGNT, Mr. Yordon was Chief Strategic Officer, Co-Chief Operating Officer and President of American Pharmaceutical Partners (APP). Mr. Yordon is an industry veteran and has held numerous positions including, President of Faulding, EVP of Gensia, President and CEO of YorPharm and EVP and President of LyphoMed.

Ronald Pauli
Chief Business Officer
Ronald Pauli has served as the Chief Business Officer since August 2011. Prior to this position, Mr. Pauli was the CFO of SGNT. Prior to SGNT, Mr. Pauli was the EVP and CFO of Neopharm and has also served as, Corporate Controller and Interim CFO of Abraxis BioScience, VP, Controller, and CFO of ERSCO Corporation, Corporate Controller of Applied Power, 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).

Jonathan Singer
CFO
Jonathan Singer was appointed CFO of SGNT in August 2011. Mr. Singer has more than 26 years of finance experience with publicly-traded companies including Teleflex, Cardinal Health and R.R. Donnelley and Sons. Prior to joining SGNT, Mr. Singer served as SVP of Finance and CFO of Landauer, a radiation sciences and services company. He earned a Master's Degree from Northwestern University's Kellogg Graduate School of Management and received a Bachelor's Degree in Business Administration from Miami University in Ohio. He is also a Certified Public Accountant (CPA).

Company Description
SGNT is a specialty pharmaceutical company focused on the development and commercialization of generic injectable drugs (anti-infectives, oncoloytics and critical care). The company was incorporated in Schaumberg, Illinois, and began operations in 2006. In April of 2011, SGNT completed its Initial Public Offering, issuing 6.6MM common shares at $16 per share (over $100MM in net proceeds to SGNT).

Sagent Pharmaceuticals
Valuation
We use a blend of price to earnings (P/E), discounted cash flow (DCF) and sum of the parts analysis to get to our 12-month price target of $22. Using a P/E analysis, we arrive at a 12-month value of $20. We apply a 20 times multiple to 2013 earnings of $1.02. This multiple is higher than SGNT's peers which are trading at a 15 times forward P/E multiple; we believe SGNT deserves to trade at a higher multiple than its peers because it has better earnings potential than its more mature peers. We also believe that SGNT could be an acquisition target in a consolidating industry and this provides a floor to its valuation. Our DCF analysis arrives at a 12-month value of $24. We use a WACC of 10% and an exit multiple of 7 times EBIT. Using a sum of the parts analysis we arrive at a 12-month value of $31. We have excluded any redundant overhead to determine what each division would be worth if the company were broken up and spun off or acquired by another company.

Risks
1. Supply and/or manufacturing issues
2. Inability to get new products approved and launched
3. Increasing competition for generic injectable drugs
4. Disruption in key partnerships

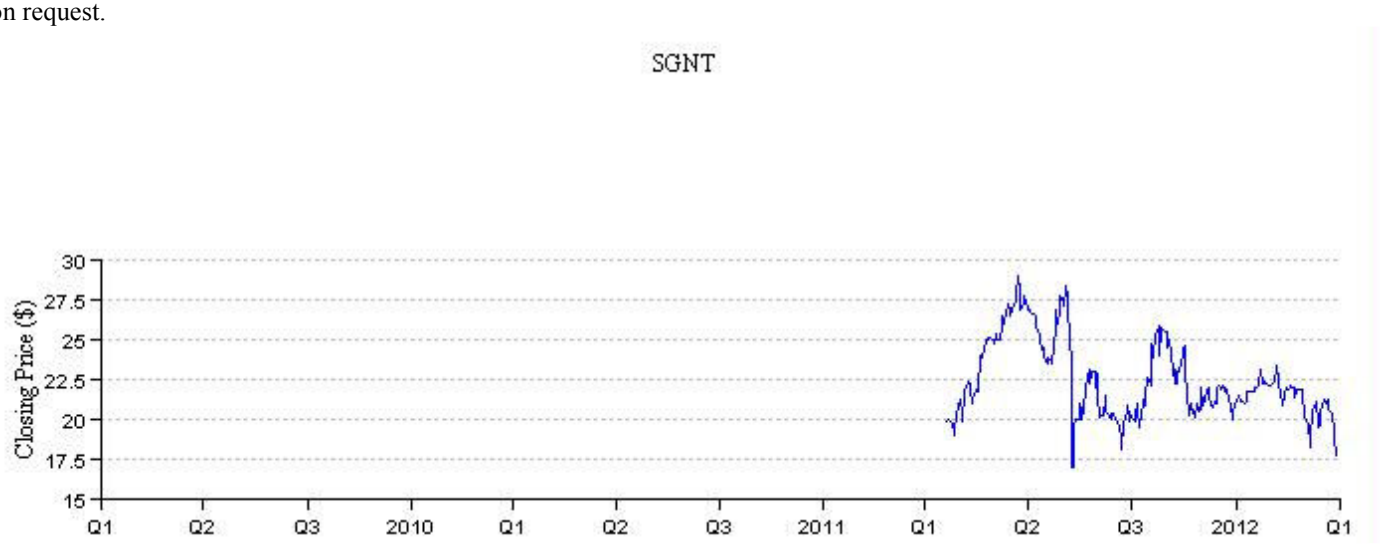
IMPORTANT DISCLOSURES

Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by AURIGA USA, LLC:

Companies Mentioned in this Report that Are Not Covered by AURIGA USA, LLC:

Stock Prices as of April 16, 2012:

Price Target and Rating History (See Rating Definitions for Explanation)
Auriga USA, LLC disclosure price charts are updated within the first fifteen days of each new calendar quarter per FINRA regulations. Price charts for companies initiated upon in the current quarter, and rating and target price changes occurring in the current quarter, will not be displayed until the following quarter. Additional information on recommended securities is available on request.



Rating Distributions
Auriga USA, LLC rating distribution by percentage (as of December 31, 2011):

All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy	69%	Buy	0%
Hold	29%	Hold	0%
Sell	2%	Sell	0%

Explanation of Ratings
Buy: Expected to produce a total return of 15% or better in the next 12 months.
Hold: Fairly valued; total return in the next 12 months expected to be ± 15%.
Sell: Stock is expected to decline by 15% or more in the next 12 months.

Auriga USA, LLC Equity Research Disclosures as of April 16, 2012

Company	Disclosure
Sagent Pharmaceuticals	

Auriga USA, LLC Equity Research Disclosure Legend

1. Auriga USA, LLC makes a market in the securities of the subject company.
2. The analyst serves as an officer, director, or advisory board member of the subject company.
3. The analyst or a member of the analyst's household has a financial interest in the securities of the subject company (this interest may include, without limitation, whether it consists of any option, right, warrant, future, long or short position).
4. Auriga USA, LLC or an affiliate of Auriga USA, LLC has managed or co-managed a public offering of securities for the subject company in the last 12 months.
5. Auriga USA, LLC or an affiliate of Auriga USA, LLC has received compensation for investment banking services from the subject company in the last 12 months.
6. Auriga USA, LLC expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
7. Auriga USA, LLC or its affiliates beneficially own 1% or more of the common stock of the subject company as calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934.
8. The subject company is, or during the past 12 months was, a client of Auriga USA, LLC, which provided non-investment banking, securities-related services to, and received compensation from, the subject company for such services. The analyst or employees of Auriga USA, LLC with the ability to influence the substance of this report knows the foregoing facts.
9. An affiliate of Auriga USA, LLC received compensation from the subject company for products or services other than investment banking services during the past 12 months. The analyst or employees of Auriga USA, LLC with the ability to influence the substance of this report know or have reason to know the foregoing facts.

Analyst Certification

I, Louise Chen, was principally responsible for the preparation of this research report, and I hereby certify that the recommendations and opinions expressed in this publication accurately reflect my personal views about the company and securities that are mentioned in this report and that I have not received and will not receive direct or indirect compensation in exchange for the specific recommendations or views expressed in this report.

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Additional information on recommended securities is available on request

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