David Amsellem, Sr. Research Analyst
212 284-9455, david.a.amsellem@pjc.com
Piper Jaffray & Co.

Traver A. Davis, Research Analyst
212 284-5031, traver.a.davis@pjc.com
Piper Jaffray & Co.

Rebecca M. Forest, Research Analyst
212 284-5033, rebecca.m.forest@pjc.com
Piper Jaffray & Co.

Reason for Report:
Initiating Coverage

Changes	Previous	Current
Rating		Neutral
Price Tgt		$19.00
FY12E Rev (mil)	--	$232.8
FY13E Rev (mil)	--	$324.4
FY12E EPS	--	$(0.19)
FY13E EPS	--	$1.04

Price	$18.10
52 Week High	$29.23
52 Week Low	$13.50
12-Month Price Target	$19.00
15x 2014E of $1.43, disc. 12%	
Shares Out (mil)	27.9
Market Cap. (mil)	$505.0
Avg Daily Vol (000)	94
Book Value/Share	$5.08
Net Cash Per Share	$3.19
Debt to Total Capital	18%
Div (ann)	$0.00
Est LT EPS Growth	NA
P/E to Est LT EPS Growth	NM
Fiscal Year End:	Dec

Rev (mil)	2011A	2012E	2013E
Mar	$30.3A	$43.2E	--
Jun	$32.3A	$53.5E	--
Sep	$41.3A	$62.7E	--
Dec	$48.5A	$73.4E	--
FY	$152.4A	$232.8E	$324.4E
CY	$152.4A	$232.8E	$324.4E
FY RM	3.3x	2.2x	1.6x
CY RM	3.3x	2.2x	1.6x

EPS	2011A	2012E	2013E
Mar	$(1.56)A	$(0.21)E	--
Jun	$(0.33)A	$(0.11)E	--
Sep	$(0.16)A	$0.01E	--
Dec	$(0.15)A	$0.12E	--
FY	$(0.96)A	$(0.19)E	$1.04E
CY	$(0.96)A	$(0.19)E	$1.04E
FY P/E	NM	NM	17.4x
CY P/E	NM	NM	17.4x

Sagent (SGNT – $18.10)
Neutral

Solid Top-Line Growth, but Margin Outlook Murky; Initiating with a Neutral

CONCLUSION:
We are initiating coverage of Sagent with a Neutral rating and $19 price target. As an emerging player in the generic injectibles space, SGNT has strong visibility on sustained double-digit top-line growth, with a deep abbreviated NDA (aNDA) pipeline (over 60 pending filings). That said, the business is leveraged on a network of manufacturing partners, bringing with it relatively low gross margins (15% in 2011). Though SGNT is looking for meaningful gross margin expansion from new launches (a number of older products have poor margins) and more favorable economics on new products coming out of certain partnerships, we believe that the shares are largely reflecting this expectation, with the Street at a 2013 EPS of $1.03 (a P/E of 18x), up from a 2012 net loss per share. As such, we believe upside as 2012 progresses is limited, and would stay on the sidelines until visibility on execution improves.

- **Murky outlook on margin expansion and profitability keeps us on sidelines.** With SGNT not leveraged on any single manufacturing facility, one can credibly argue that SGNT's risk of the kind of major disruption seen by other players in the generic injectibles space due to manufacturing problems is limited. That said, the partnership structure makes it difficult for us to get a good read on the trajectory of gross and operating margins (particularly longer-term). In that sense, without further evidence of management execution, it is hard to make the case for significant value creation as 2012 progresses despite a rapidly expanding top-line.

- **Maturing aNDA pipeline should power the top-line.** SGNT has over 60 pending filings at the FDA. The average age of the aNDA pipeline is 27 months, so we are likely to see a steady stream of aNDA approvals as 2012 progresses. Further, SGNT has noted that it has aNDA approvals on 13 products that have yet to be launched. Though we believe visibility on top-line growth in excess of 35% in 2012 and 2013 is strong even if the generic injectibles space was not beset by shortages, the continued supply problems in the market certainly can't hurt (there are roughly 120 products on the FDA's shortage list, and we estimate that nearly 75% of them are injectibles).

- **Outlook for base generics business looks solid.** SGNT's largest seller has been a generic version of the anti-coagulant heparin, which accounted for near 25% of 2011 sales. That said, with launches of generics of the anti-infectives levofloxacin and Zosyn and the chemo agent gemcitabine in 2011, plus with SGNT taking advantage of shortages of the chemo agent paclitaxel (SGNT launched its generic in September 2011; five competitors are experiencing shortages), we should see continued growth from the in-market portfolio.

INVESTMENT RECOMMENDATION:
Though Sagent is a strong top-line growth story, the outlook on margin expansion and overall profitability is murky. Our $19 PT is based on 15x our 2014 EPS estimate of $1.43, discounted by 12% for 1 year.

RISKS TO ACHIEVEMENT OF TARGET PRICE:
Risks include pricing pressure on generics and pressure from competitive entrants.

COMPANY DESCRIPTION:
Sagent is primarily focused on generic injectible drugs.

INVESTMENT HIGHLIGHTS

We are initiating coverage of Sagent with a Neutral rating and a 12-month price target of $19 per share, representing upside of ~5% from Sagent's current share price. Sagent is focused exclusively on the commercialization and distribution of generic versions of injectible drugs for the hospital setting. Sagent's business model is unique, in that it is not leveraged on its own manufacturing facilities, but rather relies on an extensive worldwide network of manufacturing partners to supply the company with product that Sagent then distributes to its customers. With a deep abbreviated NDA (aNDA) pipeline consisting of more than 60 pending filings and a continued growing footprint for its base generic injectibles business, we believe Sagent is well positioned for significant top-line growth (from $152 million in 2011 revenues to our 2014 estimate of $401 million; we are estimating a revenue CAGR of 24% for 2012-2015). That said, the nature of the company's business model (a structure using partners for development and manufacturing) means that Sagent's gross margins will be lower than its peers. Though a rapidly expanding top-line will surely drive profitability over time as SGNT leverages its distribution capabilities (i.e., large fixed SG&A cost base), the extent of the margin expansion is murky in our view. We believe that the Street EPS estimate for 2013 of $1.03 (up from expectations of a 2012 net loss per share of $0.19) factors in significant expansion in both gross and operating margins. With a current 2013 P/E of 17x and murky visibility on the extent of margin expansion, we would argue that SGNT shares already reflect steep expectations. We would remain on the sidelines until visibility on management execution, and hence the margin trajectory, improves. Our price target of $19 is based on our 2014 EPS estimate of $1.43, times a P/E of 15x, discounted at 12% for 1 year, and is supported by our discounted cash flow (DCF) analysis.

Deep injectibles pipeline coupled with widespread market shortages opens up opportunity for rapid top-line expansion. Sagent at its core is a top-line growth story, given the depth of its abbreviated NDA pipeline and the widespread shortages of numerous injectible products (we estimate roughly 90 as of April 2012) largely due to manufacturing problems and capacity constraints faced by the company's peers in the injectibles space. SGNT has 63 pending aNDA filings and also has 13 aNDAs that have been approved by the FDA that have yet to launch. Management has noted that the average age of its aNDA filings is 27 months. Given that it is now taking the FDA just north of 30 months to review a generic filing, and given that the agency is likely to prioritize filings of injectibles that have been on the shortage list, we believe that SGNT is likely to see a steady stream of product approvals and launches in the next 1-2 years.

Manufacturing risk is diversified; pace and extent of margin expansion murky. Sagent has an extensive network of manufacturing partners, and the company has noted that the average age of its partners' facilities is 3 to 5 years, compared to an average facility age of 35 years for the broader injectibles space. The main advantage in our view is that Sagent should be able to avoid the major supply disruptions that have beset its peers. That said, with a partnership-based model, SGNT's gross margins, which were 15% and 12% in 2011 and 2010, respectively, have predictably been lower than what is typically seen for companies manufacturing injectibles at their own facilities (i.e., unpartnered). For instance, gross margins for Akorn's hospital injectibles business run at 50%-55%, with manufacturing and R&D virtually all in-house. SGNT management has guided to gross margins of 20-23% for 2012, with the company suggesting other collaborations that should bear fruit in terms of commercial launches should have better economics (positively impacting gross margins in 2012 and beyond). For instance, products coming out of SGNT's own facility in China (currently under construction through its joint venture with

KSP) will likely have a favorable impact to the margin mix (also bearing in mind that current top seller heparin is a very low margin product for SGNT). That said, given that this is a 50/50 joint venture, there is still the reality of shared economics. As such, beyond 2012, it is difficult to get a strong read on the trajectory of gross margins. To be fair, our model does factor in significant expansion in gross margins (22% in 2012, growing to 30% in 2013 and 33% in 2014). However, we believe this significant expansion is already factored into Street expectations.

Base generics business no longer significantly leveraged on generic heparin; new launches in 2011 provided more top-line diversification. Aside from the aNDA pipeline, Sagent's current base generics business is showing continued signs of growth. IMS sales for January and February of 2012 grew by 22% over the corresponding period in 2011, and this is on top of organic sales growth (ex-new launches) of 89% in 2011 over 2010, per IMS. Sagent's top seller is a generic version of the anti-coagulant heparin, but that product accounted for only 26% of 2011 sales. Further, with 2011 launches of generic versions of the antibiotics Zosyn and levofloxacin, as well as the chemo agent gemcitabine, heparin's relative importance to the overall top-line will continue to wane. SGNT is also opportunistically taking advantage of shortages in the market. The company launched a generic of the chemo agent paclitaxel in September 2011, but only recently has seen growth in its market share due to a number of competitors experiencing supply constraints. As such, Sagent's base business already provides the company with a strong foundation for continued top-line growth, with a deep aNDA pipeline providing longer-term sustainability of growth as some older products in the portfolio inevitably experience tougher competitive dynamics.

RISKS TO OUR THESIS

One of the unique features of Sagent's business model is that it is not leveraged on its own manufacturing facilities, but rather relies on a worldwide network of manufacturing partners to supply the company with product that Sagent that then distribute to its customers. In that sense, the risk of a major disruption to the top-line because of a problem at a facility is low (recall that the shortages in the injectible space have arisen due to numerous problems at facilities run by key players in the space such as Hospira, Teva and APP). That said, the nature of Sagent's supply chain – its reliance on partners – means that the company's ability to be take advantage of better than expected demand for certain products might be limited. Further, manufacturing issues at Sagent's partners' facilities could still have a meaningful impact on the top-line to the extent that the facility or facilities in question supply Sagent with products that contribute meaningfully to revenue. Another risk is related to margins. Gross margins for Sagent in 2011 totaled 15%. With a partnership model, Sagent will need a far larger product portfolio in order to drive significant operating margin expansion. In other words, with shared economics on generic products, the company will need more top-line growth to drive operating margin expansion than what a company that has in-house facilities would need in order to drive the same amount of operating margin expansion.

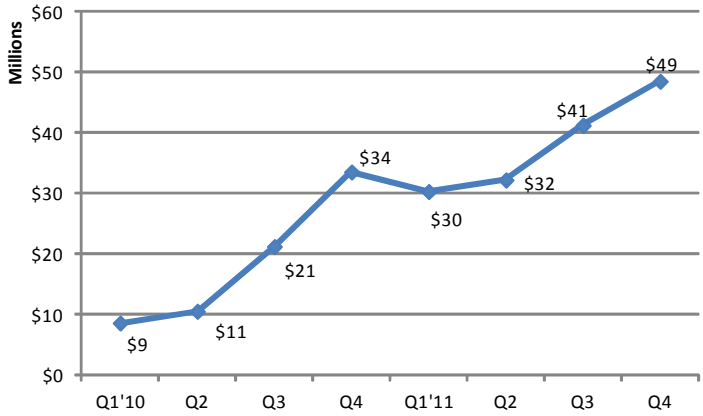
The other major risks are more a function of risks associated with the broader generics space. Though there are fewer companies involved in the generic injectibles space compared to companies with the capability to make generic versions of oral solids, the generics space is nonetheless a competitive environment in which pricing pressures are often a reality. Further, the average turnaround time at the FDA for aNDA filings is now north of 30 months, so visibility on the timing and pace of aNDA approvals for Sagent is limited (as is generally the case for the industry).

FINANCIAL OVERVIEW

Expectations for the top-line: looking for continued growth from new generic launches in 2012 and beyond. Sagent more than doubled its top-line in 2011 over 2010, recording $152M in sales for the full year. Year-over-year revenue growth in 2012 should be in excess of 50% due in large part to new product launches (weighted more to the back half of the year) and the full year inclusion of key products launched near the end of 2011. We are estimating total revenue of $233 million, in-line with the Street estimate and in the lower end of management's guidance range of $220-$250 million. Longer term, our 2014 revenue estimate of $401 million is in line with management's 2014 revenue target of $400 million.

Exhibit 1

SAGENT HISTORICAL QUARTERLY REVENUES ($M)



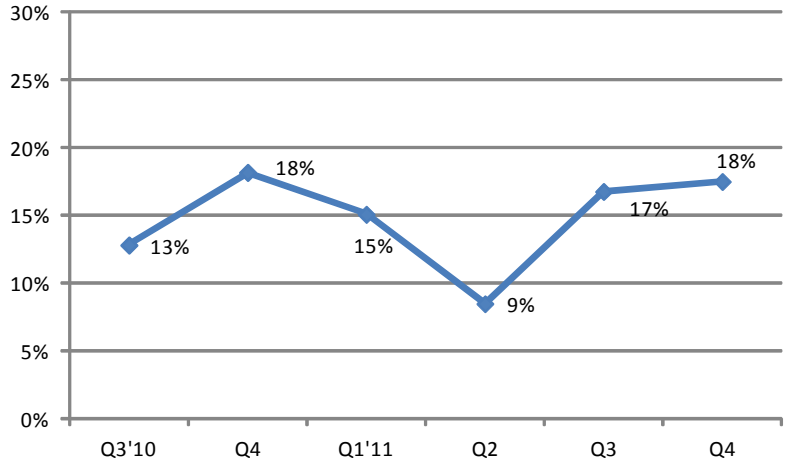
Source: Company reports and PJC Research

Margins and expenses. Gross margin was 15% in 2011, up from 12% in 2010. More importantly, Sagent reported gross margin of 18% in 4Q11, the highest of any quarter in 2011. As we see approvals for higher margin products begin to contribute to the top-line over the course of 2012 (especially in the back half), we expect modest improvements in gross margins (we estimate gross margins of 26% by 4Q12). Improvements in gross margin should be more significant longer term, as SGNT begins manufacturing products out of its own in-house facility in China (currently under construction through the KSP joint venture). That said, we would not expect to see gross margins approach what we typically see for the industry given that the construction of the facility was part of a 50/50 joint venture and that the base business will still substantially consist of partnered products with shared economics. With respect to expenses, management anticipates R&D spend in 2012 to be at higher levels than in the past due to the pre-commitment of $10 million of IPO proceeds to product development initiatives. Management is guiding to R&D expenses for the year of $22-$26 million, compared to $13 million in 2011, however the company's target for aNDA submissions in 2012 is lower than it has been historically (expecting 12-15 aNDA submissions in 2012, compared to 17 in 2011 and 21 in 2010). We expect SG&A spend to be $31 million in 2012, in the range of management's guidance of $30-$34 million.

Balance sheet: Sagent began 2012 with $126 million in cash and short-term investments and $37 million of total debt. With net cash per share of over $3, we believe Sagent's cash reserves are more than sufficient to fund operations to profitability.

Exhibit 2

SAGENT HISTORICAL GROSS MARGINS



Source: Company reports and PJC Research

Exhibit 3

SUMMARY OF PJC ESTIMATES FOR SAGENT

$ in millions, except per share	2012E	2013E	2014E	2015E
Revenue				
Total revenue	**$232.8**	**$324.4**	**$401.4**	**$438.7**
Consensus	*$232.7*	*$329.6*	*$429.9*	*$521.2*
Expenses				
COGS	$182.3	$227.1	$268.9	$276.4
R&D	$22.1	$22.7	$24.1	$24.1
SG&A	$31.2	$34.1	$36.1	$39.5
Operating income	($2.9)	$40.6	$72.2	$98.7
Net Income	($5.4)	$32.7	$47.7	$61.5
EPS, diluted	**($0.19)**	**$1.04**	**$1.43**	**$1.74**
Consensus	*($0.19)*	$1.03	*$1.88*	*$2.68*

Source: Company reports and PJC Research

Exhibit 4

2012 SAGENT GUIDANCE VS PJC/STREET ESTIMATES

($M, except per share)	Current 2012 Guidance	PJC 2012 Estimates
Total Revenue	**$220 - $250**	**$232.8**
Consensus	*$233*	
Expense Items		
Gross margin	20% - 23%	22%
SG&A	$30 - $34	$31
R&D	$22 - $26	$22
Non GAAP net income	**($5) - $0**	**($5)**

Source: Company reports and PJC Research

VALUATION

Our 12-month price target of $19 is based on a P/E of 15x our 2014 EPS estimate of $1.43, discounted by 1 year at 12%. Sagent continues to significantly expand its generics business, and in that vein, we estimate a 2012-2015 revenue CAGR of 24%. That said, given our concerns regarding margin expansion visibility, we believe a P/E of 15x is appropriate. We base our price target off of 2014 since it more fully reflects the impact of more recent generic filings (bearing in mind that it is now taking the FDA's Office of Generic Drugs almost 30 months on average to approve an aNDA filing).

While we acknowledge that the P/E used in our valuation reflects a meaningful premium to the generics group there are fundamental differences between Sagent's business model and that of its generic peers. Specifically, most of Sagent's generic peers rely heavily on paragraph IV filings with the goal of having a significant portion of products that are first-to-market (FTM) with generic exclusivity if possible. Sagent is generally not a paragraph IV business. In other words, it has filings on products that have seen their patents expire or on products with patents that are about to expire. These are not litigated filings, so there is greater visibility on the timing of approvals and launches relative to the conventional paragraph IV generics business. We would note that Sagent has expressed interest in more actively pursuing paragraph IV challenges (management has noted 4-6 paragraph IV filings to date) but the company remains primarily focused on non-paragraph IV opportunities.

We note that our valuation conclusion is supported by our discounted cash flow analysis (refer to Exhibit 6). We believe that cash flows from the business are sustainable over the long-term, bearing in mind that Sagent's extensive network of manufacturing relationships provides it with the capabilities in the generic injectibles space to continually launch new generic product offerings.

Exhibit 5

PEER GROUP VALUATION ANALYSIS

($M except per share and multiples)			Market	Ent.	EPS			P/E			Revenue			EV/Revenue		
Ticker	**Company**	**Price [1]**	**Cap**	**Value**	**2012E**	**2013E**	**2014E**	**2012E**	**2013E**	**2014E**	**2012E**	**2013E**	**2014E**	**2012E**	**2013E**	**2014E**
TEVA	**Teva**	**$45.16**	**$42,562**	**$55,982**	**$5.58**	**$5.85**	**$6.42**	**8.1x**	**7.7x**	**7.0x**	**$21,976**	**$21,308**	**$22,898**	**2.5x**	**2.6x**	**2.4x**
MYL	Mylan	$22.51	$9,632	$14,525	$2.43	$2.68	$2.85	9.3x	8.4x	7.9x	$6,907	$7,280	$7,615	2.1x	2.0x	1.9x
WPI	**Watson**	**$67.71**	**$8,633**	**$9,442**	**$5.80**	**$6.32**	**$6.43**	**11.7x**	**10.7x**	**10.5x**	**$5,550**	**$5,342**	**$5,456**	**1.7x**	**1.8x**	**1.7x**
HSP	Hospira	$34.83	$5,746	$6,897	$2.16	$2.76	$3.31	16.1x	12.6x	10.5x	$4,020	$4,232	$4,419	1.7x	1.6x	1.6x
ENDP	**Endo**	**$35.88**	**$4,188**	**$7,152**	**$5.18**	**$5.82**	**$6.03**	**6.9x**	**6.2x**	**6.0x**	**$2,412**	**$2,562**	**$2,587**	**3.0x**	**2.8x**	**2.8x**
IPXL	**Impax**	**$24.37**	**$1,628**	**$1,412**	**$1.81**	**$2.47**	**$2.50**	**13.5x**	**9.9x**	**9.7x**	**$669**	**$800**	**$771**	**2.1x**	**1.8x**	**1.8x**
PRX	**Par**	**$40.45**	**$1,483**	**$1,640**	**$3.87**	**$3.94**	**$4.87**	**10.5x**	**10.3x**	**8.3x**	**$1,069**	**$1,046**	**$1,136**	**1.5x**	**1.6x**	**1.4x**
AKRX	**Akorn**	**$11.15**	**$1,060**	**$1,077**	**$0.57**	**$0.66**	**$0.87**	**19.6x**	**16.9x**	**12.8x**	**$238**	**$293**	**$360**	**4.5x**	**3.7x**	**3.0x**
HITK	Hi-Tech	$34.03	$444	$371	$3.78	$3.46	$3.66	9.0x	9.8x	9.3x	$227	$236	$250	1.6x	1.6x	1.5x
Average - Sagent Peer Group								**11.6x**	**10.3x**	**9.1x**				**2.3x**	**2.2x**	**2.0x**
SGNT	**Sagent**	**$18.10**	**$505**	**$417**	**($0.19)**	**$1.04**	**$1.43**	**NM**	**17.4x**	**12.7x**	**$233**	**$324**	**$401**	**1.8x**	**1.3x**	**1.0x**

Note: Bolded companies are under PJC Research coverage. We use PJC estimates for companies under coverage and First Call estimates for non-covered companies
(1) Prices as of April 18, 2012
Source: PJC estimates, FirstCall, and company reports

Exhibit 6

DISCOUNTED CASH FLOW ANALYSIS FOR SAGENT

$M, except per share							Terminal
Fiscal year ending December 31	**2012E**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**Value**
Revenue	$233	$324	$401	$439	$443	$447	
Gross Profit	$50	$97	$132	$162	$168	$170	
Gross Margin	21.7%	30.0%	33.0%	37.0%	38.0%	38.0%	
Operating Profit	($3)	$41	$72	$99	$104	$105	
Operating Margin	NM	12.5%	18.0%	22.5%	23.5%	23.5%	
Income Tax Provision	$0	($7)	($23)	($36)	($39)	($39)	
Net Income	($5)	$33	$48	$61	$66	$66	
Depreciation and Amortization	$4	$4	$4	$4	$4	$4	
Stock-based compensation	$3	$4	$5	$6	$6	$6	
Capital Expenditures	($1)	($1)	($1)	($1)	($1)	($1)	
Free Cash Flow	$1	$40	$55	$70	$74	$75	$617
Discount Rate	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Years	1.00	2.00	3.00	4.00	5.00	6.00	6.00
PV FCF	$1	$32	$39	$44	$42	$38	$313

Assumptions	
Discount Rate	12.0%
Terminal Growth Rate	0.0%
Beta	0.84
Risk Free Rate (10Yr Treasury Yield)	2.0%
MRP	7.9%
Terminal Value Multiple	8

PV DCF	$509
Shares	27.9
Current Value	$18
Value 12 Months from Now	**$20**

Source: PJC Research

COMPANY BACKGROUND

Sagent is focused exclusively on generic injectible products sold into the hospital setting. Based in Schaumburg, IL, the company was founded in 2006 with the goal of identifying generic product opportunities and building a worldwide network of manufacturing and development partners. Starting with its first abbreviated New Drug Application (aNDA) filing in July 2007, the company filed a total of 144 aNDAs through 2011. Sagent received approval on its first aNDA in December 2007 (adenosine) and to date has a commercial portfolio consisting of over 30 generic injectible products available in the U.S. The company's current aNDA pipeline consists of 63 aNDA filings pending at the FDA (again largely focused on injectibles) and also has 13 aNDAs recently approved by the FDA with the products pending commercial launch. SGNT raised over $100 million in net proceeds from its initial public offering in 2011, issuing 6.6 million shares at $16. As of 12/31/2011, Sagent had 99 full-time employees, including 29 in regulatory affairs and facility compliance.

Extensive network of partnerships involving sourcing of active pharmaceutical ingredients (API) and product manufacturing. Since the company's inception in 2006, Sagent has developed a worldwide network of more than 45 strategic partners through agreements that range from the manufacturing and supply of API and finished product to co-development partnerships and joint ventures. The company does have an in-house facility in Chengdu, China that is under construction (this is part of a joint venture) which should gain FDA approval in late 2012 or early 2013. Aside from that, Sagent has access to over 60 manufacturing and development facilities through its partners, and the facilities have the ability to manufacture a wide range of pharmaceutical products. Management has noted that the facilities are on average about 3 to 5 years old, compared to an average age of 35 years for U.S. injectible facilities (this latter points helps explain why a number of key players in the space have had manufacturing problems). The company has its own staff focused on quality control and facility compliance, with the goal of ensuring that its manufacturing partners are in accord with current Good Manufacturing Practices (cGMP). Sagent is responsible for its aNDA filings.

We believe there are some key advantages to this business model, which we highlight below:

- **Diversification of manufacturing risk.** The obvious pitfall of having in-house manufacturing facilities is that a significant manufacturing issue could prove to be a major disruption to operations. A number of the key players in the generic injectibles space have experienced major manufacturing problems, resulting a significant disruptions in production and market shortages. Oncology and critical care injectibles have been among the classes of drugs that have experienced significant supply disruptions.

  Given that Sagent has an extensive network of manufacturing partners, the company does not rely on a limited number of sites that are responsible for the production of most of its products. As such, the company has a greater ability to avoid major supply disruptions compared to its peers. It also helps that the facilities in Sagent's network are on average far younger than the facilities run by the major players in the space (on average age of 3 to 5 years compared to around 35 years for the broader injectibles space).

- **Production flexibility.** Utilizing its access to over 60 manufacturing and development facilities through its partnerships, Sagent can adjust production of specific products to meet changing demand. Further, to the extent that there is a disruption in the production of a specific product at a certaing facility, Sagent can switch production to an alternate site.

- **Relatively low manufacturing costs.** A majority of Sagent's manufacturing partners are domiciled outside the U.S., largely in emerging markets where manufacturing costs tend to be low.

There are however limitations of Sagent's business model, which we highlight below:

- **Partnership model means that margins are lower than average for the generic injectibles space (even with the Chengdu, China facility coming on line).** Gross margins in the generic injectibles space tend to be around 45%-55%, even for products that have been genericized years ago. That is in part a function of the relatively few number of players in the space compared to the far larger number of companies that can make generic versions of oral solids. Given that Sagent has a partnership model and therefore has to share profits with its partners, its margins are lower (gross margins were 15% in 2011). Sagent should have some in-house manufacturing capabilities with the China facility coming on line sometime in 2013, so we should see some margin improvement over time. That said, we would not expect to see gross margins approach what we typically see for the industry given that the construction of the facility was part of a 50/50 joint venture (see below for more details).

- **A long list of relationships that is not easy to manage.** The lack of total control cuts both ways in our view. Being able to be nimble about switching to another manufacturing site for a certain product if need be (or adding another manufacturing site for a product in the case of better than expected demand) is an advantage. However, not having total control also introduces that risk that partners may not be as flexible regarding supply as Sagent would like.

Exhibit 7

EXAMPLES OF KEY SUPPLIERS AND MARKETING PARTNERS

Partner	Date entered	Expiration	Agreement Terms	Economics
Dobfar	December 2007	4/1/13; SGNT has the option to renew for successive periods of one year	Dobfar (and its distributor WorldGen) manufacture and supply cefepime for SGNT. In addition, SGNT holds supply agreements or purchase commitments with Dobfar (and WorldGen) for 8 commercial products: ampicillin, ampicillin and sulbactam, cefazolin, cefoxitin, ceftazadim, ceftriaxone, ciprofloxacin and fluconazole	SGNT pays an undisclosed amount for each unit of cefepime supplied and splits profits with Dobfar from the other 8 commercial products
Gland Pharma	June 2008	Initial agreement has a term of 8 years and automatically renews unless terminated by either party	SGNT and Gland co-developed heparin products; Gland is the exclusive supplier of heparin to SGNT for U.S. marketing. Gland may not supply heparin to any other customer, except if SGNT is unable to maintain an undisclosed minimum U.S. market share after the fourth year of selling the product. Gland also supplies SGNT with adenosine and amiodarone	SGNT pays an undisclosed amount for each unit of heparin supplied, plus a % of the net profit from sales of heparin
Actavis	April 2009	3-5 years (depending on the product) from the first sale of each product	Through the agreement, SGNT became the exclusive US marketing partner for a portfolio of 12 injectible products developed and manufactured by Actavis. Through 2011, six of the products are currently marketed, three are pending at the FDA and three are in initial development.	Actavis will supply the products to SGNT at a specified transfer price; Actavis receives an undisclosed percentage of the net profit from product sales.

Source: Company reports

Joint ventures could provide an avenue to higher margins. Sagent has two partnerships structured as joint ventures. In December 2006, Sagent and Chengdu Kanghong Technology (CKT) entered into a 50/50 joint venture to build and operate a 300,000 square foot sterile manufacturing facility based in Chengdu, China. The facility will have the capability to manufacture finished products for Sagent to commercialize in the U.S. (and even potentially placing products in the Chinese market as well). Construction on the Chengdu facility was completed in early 2011 and an FDA inspection has already been requested, with the expectation that an approval will come sometime in 2H12/1H13. To date, Sagent has submitted two aNDAs out of this facility. Near-term, at least 10 of the first 12 products manufactured out of Chengdu are expected to be those that are currently on the FDA's drug shortage list.

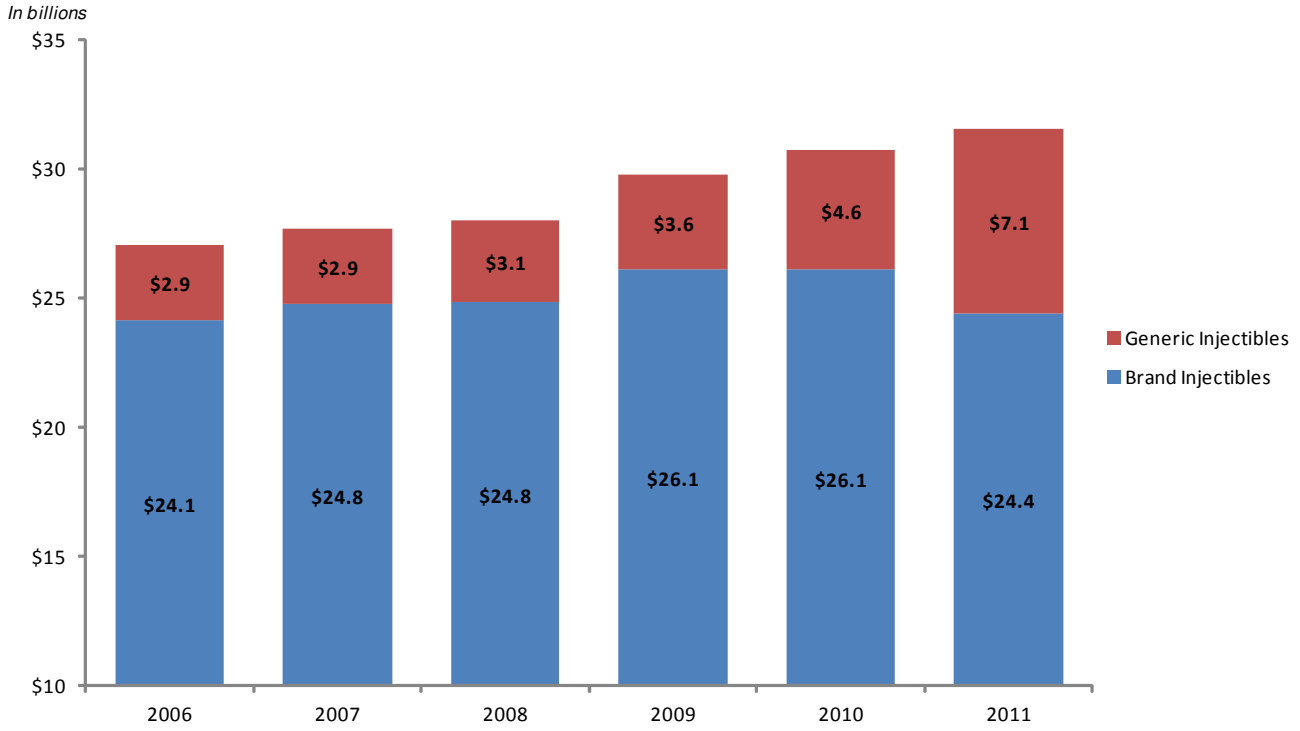
In January 2007, Sagent formed a 50/50 joint venture with Strides Arcolab (formally named Sagent Strides). Sagent Strides was formed to develop a variety of generic injectible products for the U.S. market. Strides will be responsible for manufacturing. To date, Sagent markets a total of 9 products coming out of the JV and has FDA approval for 5 additional products which should launch sometime in 2012. Further, the Strides JV accounts for 7 aNDAs currently pending at the FDA.

SIZING UP THE GENERIC INJECTIBLE OPPORTUNITY

According to IMS Health, the U.S. generic injectibles market has annual sales north of $7 billion. A significant majority of these products are sold into hospitals. The vast majority of hospital spending on drug products (around 90%-95%) is on injectibles and other non-oral formulations. That said, most hospital expenditures on injectible products come from spending on branded drugs, which account for 80% of injectible spend.

Exhibit 8

SUMMARY OF BRAND AND GENERIC NON-BIOLOGIC INJECTIBLE DRUG SALES IN THE U.S.



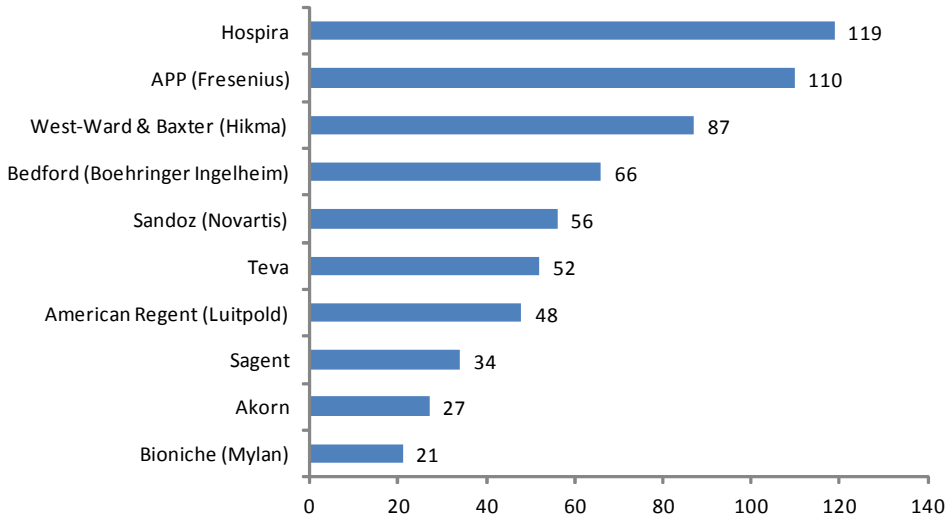
Source: IMS Health, PJC Research

Relatively few players in the generic injectibles space. Given the complexity associated with manufacturing injectibles relative to oral solids, there are relatively few generics companies that have capabilities in this segment. The capital requirements are simply more onerous, and maintenance capital expenditures are significantly greater for an injectibles facility than they are for facilities that make solid dosage forms. In that vein, it is not surprising that there are relatively few emerging companies in the space. In the U.S., the two emerging players in the generic injectibles space are Sagent and Akorn, which had $55 million in hospital injectible revenue in 2011. Given that the space is not particularly crowded, we don't typically see the kind of price destruction that one sees when an oral solid sees multiple generic entrants. In other words, even for older injectible products, commoditization is highly unlikely, and that is especially the case these days given the widespread product shortages that have emerged due to manufacturing problems at a number of sites.

The largest companies in the U.S. generic injectible market include Hospira, Sandoz, and APP (in terms of 2011 sales, according to IMS). Interestingly, over half of the generics approved between 2003 and 2008, according to data from Espicom Business Intelligence, were had only one or two generic entrants and over 85% of the injectibles had less than five generic competitors.

Exhibit 9

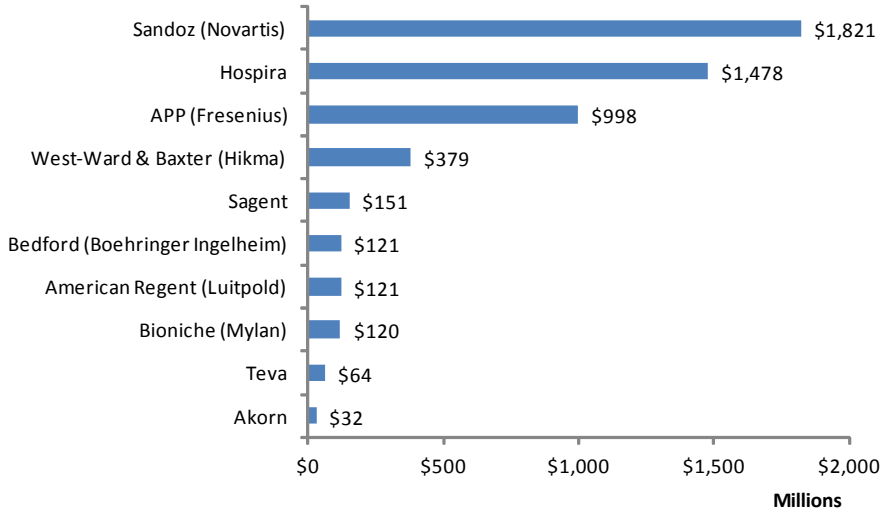
NUMBER OF GENERIC INJECTIBLE PRODUCTS BY MANUFACTURER



Source: Company reports, IMS Health, PJC Research

Exhibit 10

GENERIC INJECTIBLE PRODUCT SALES (IMS) BY MANUFACTURER



Source: Company reports, IMS Health, PJC Research

Barriers to entry tend to be high. Generally speaking, the generic injectibles segment has number of barriers to entry. These include formulation and development hurdles, scarcity of raw materials, scarcity of vial components, complex sterilized manufacturing requirements, and more sophisticated packaging (such as pre-filled syringes). Purchasing for hospitals is often negotiated through Group Purchasing Organizations (GPOs) that generally contract for products for a year at a time. The GPOs prefer to make their purchases from well established suppliers that have a history of meeting their supply quotas with stable volumes. Given that many of these products are used in acute treatment settings and critical care settings, GPOs will generally do business with generic companies that have well-established capabilities who can provide a steady stream of uninteruppted supply of products.

Given that the space is relatively captial intensive, it is not surprising that companies looking to enter the injectibles space are largely doing so via acquisition rather than building infrastructure. We have seen a number of notable acquisitions of injectible companies in recent years. Notable M&A activity in the generic injectibles space includes Fresenius' acquisition of APP in 2007 for $3.7 billion, Sandoz's acquisition of Ebewe in 2009 for $1.2 billion, Mylan's acquisition of Bioniche in 2010 for 550 million, and Hikma's acquisition of Baxter's injectibles unit in 2010 for $112 million.

Over $6 billion worth of non-biologic injectible sales that will go off patent in the next five years (or are off patent but do not yet have generic competition). Exhibit 11 below provides a detailed run-down of the top brand injectible drugs (excluding biologics) in the United States. Though we would not focus too much on brands coming off patent, since demand for many older injectibles that went generic years ago is strong and commodization tends not to happen, we would point out that the sizeable number of brands that are off patent or going off patent points to continued strong growth in sales volumes for the generic injectibles space.

Exhibit 11

TOP BRAND INJECTIBLE DRUGS (NON-BIOLOGICS) IN THE U.S.

Product	Generic name	Manufacturer	Patent expiry	2011 IMS Sales ($M)
Copaxone	glatiramer	Teva	May 2014	$2,955
Eloxatin	oxaliplatin	Sanofi	February 2017	$1,204
Lovenox	enoxaparin	Sanofi	Generics available	$1,060
Alimta	pemetrexed	Eli Lilly	July 2016	$1,041
Zometa	zoledronic acid	Novartis	March 2013	$662
Cubicin	daptomycin	Cubist	September 2019	$588
Treanda	bendamustine	Teva	March 2015 (1)	$501
Aloxi	palonosetron	Eisai	January 2024	$478
Lexiscan	regadenoson	Astellas	February 2027	$442
Angiomax	bivalirudin	Medicines Co.	January 2029	$413
Reclast	zoledronic acid	Novartis	March 2013	$401
Taxotere	docetaxel	Sanofi	January 2013	$364
Abraxane	paclitaxel	Celgene	September 2024	$347
Zyvox	linezolid	Pfizer	May 2015	$285
Arixtra	fondaparinux sodium	GSK	Generics available	$259

Source: Company reports, IMS Health, FDA Orange Book, and PJC Research
(1) Refers to expiration of orphan drug exclusivity
Note: Patent expiry refers to the latest expiring Orange Book listed patent

Shortages A Major Problem and Present an Opportunity for Sagent

According to the FDA, the number of prescription and hospital drug shortages in the U.S. have roughly tripled between 2005 and 2011. Of the roughly 120 drugs currently listed on the FDA's shortage list, 75% are injectibles (as of March 2012). A substantial number of these shortages have persisted for more than 6-12 months. According to industry experts and regulatory authorities, there are three primary causes for the recent rise in shortages of injectible drugs, highlighted below:

- **Deficiences at injectible facilities.** Manufacturing problems at a number of facilities, driven in part by aging infrastructure and inadequate maintenance capital expenditures, coupled with FDA oversight and enforcement resulting in warning letters and possible conset decrees, are major drivers of supply disruptions.

- **API procurement.** Sourcing active pharmaceutical ingredients (API) for certain injectible can be a challenge, often resulting in manufacturing delays and as a result, supply constraints.

- **Companies exiting markets for older generic injectible drugs.** In the case of certain products that are not characterized by large and growing demand, even the exit of a single competitor could result in a supply shortage. Exits can happen if a certain product has more limited sales, is difficult to make, and the manufacturer cannot find ways to make the product more efficiently at higher margins.

Addressing the shortage problem is a top priority at a resource-limited FDA. In October 2011, President Obama signed an executive order addressing the persistent drug shortages in the U.S. Of note in the executive order is Section 3, which reads:

> *Sec. 3. Expedited Regulatory Review. To the extent practicable, and consistent with its statutory responsibility to ensure the safety and effectiveness of the drug supply, the FDA shall take steps to expand its current efforts to expedite its regulatory reviews, including reviews of new drug suppliers, manufacturing sites, and manufacturing changes, whenever it determines that expedited review would help to avoid or mitigate existing or potential drug shortages. In prioritizing and allocating its limited resources, the FDA should consider both the severity of the shortage and the importance of the affected drug to public health*

The order suggests to us that the FDA will expedite filings of products on the shortage list. This is noteworthy considering that the average turnaround time for an aNDA is now just over 30 months.

Exhibit 12 displays a detailed list of injectible drugs on the FDA's shortage list. We estimate that shortages on injectible drug in the U.S. encompass 2011 sales of over $1.3 billion per IMS (again, we do not include biologics such as Genzyme's Cerezyme).

Exhibit 12

INJECTIBLE DRUGS ON THE FDA SHORTAGE LIST

Alfentanil Injection	Levaquin Injection
Amikacin Injection	Levofloxacin Injection
Ammonium Chloride Injection	Levoleucovorin (Fusilev) injection
Ammonul Injection 10%/10%	Lidocaine Hydrochloride Injection
Aquasol A	Lorazepam Injection
Atropine Sulfate Injection	Magnesium Sulfate Injection
Bleomycin Injection	Mannitol Injection
Bupivacaine Hydrochloride Injection	Mesna 100 mg/mL Injection
Buprenorphine Injection	Methotrexate Injection
Butorphanol Injection	Methyldopate Injection
Calcitriol 1 mcg/mL Injection	Metoclopramide Injection
Calcium Chloride Injection	Midazolam Injection
Capastat (capreomycin) injection	Mitomycin Powder for Injection
Cerezyme (imiglucerase for injection)	Morphine Sulfate Injection
Chromic Chloride Injection	Mustargen (mechlorethamine HCl) injection
Cisplatin injection 1 mg/mL solution	Nalbuphine Injection
Cyanocobalamin Injection	NeoProfen (ibuprofen lysine) Injection
Daunorubicin Hydrochloride Solution for Injection	Ondansetron Injection
Desmopressin Injection	Ontak injection
Dexamethasone Injection	Orphenadrine Citrate Injection
Dexrazoxane Injection	Oxytocin Injection
Diazepam Injection	Paclitaxel Injection
Digoxin Injection	Pancuronium Bromide Injection
Diltiazem Injection	Phentolamine Mesylate for Injection
Diphenhydramine Hydrochloride Injection	Phytonadione Injectable Emulsion
Doxorubicin Liposomal (Doxil) Injection	Procainamide HCL Injection
Doxorubicin Solution for Injection	Prochlorperazine Injection
Ethiodol (ETHIODIZED OIL) ampules	Promethazine Injection
Etomidate Injection	Protonix (pantoprazole) Injection
Etoposide solution for injection	Selenium injection
Fabrazyme (agalsidase beta)	Sodium Acetate Injection
Fentanyl Citrate Injection	Sodium Chloride 23.4%
Fluorouracil Injection	Sodium Phosphate Injection
Foscarnet Sodium Injection	Sufentanil Injection
Fosphenytoin Sodium Injection	Sulfamethoxazole/trimethoprim injection
Furosemide Injection	Telavancin (Vibativ) Injection
Haloperidol Decanoate Injection	Thiotepa for Injection
Hydromorphone Hydrochloride Injection	Thyrogen (thyrotropin alfa) injection
Indigo Carmine Injection	Tobramycin Solution for Injection
Insulin glulisine [rDNA origin] injection	Vasopressin Injection
Ketorolac Injection	Vecuronium Injection
L-cysteine hydrochloride	Vinblastine Sulfate Injection
Leucovorin Calcium Lyophilized Powder for Injection	Zinc Injection
Leuprolide Acetate Injection	

Source: FDA.gov, as of March 2012

FDA estimates manufacturing and quality issues account for more than 50% of drug shortages. Aging infrastructure and more stringent FDA oversight has resulted in the issuance of a number of notable warning letters and the temporary shutdown of certain facilities in recent years. Exhibit 13 below highlights major noteworthy facility shutdowns that have resulted in significant supply disruptions over the last few years.

Exhibit 13

SUMMARY OF NOTABLE INJECTIBLE MANUFACTURING ISSUES

Manufacturer	Date	Facility location(s)	Violations cited in FDA Warning Letter	Impact (recalls, facility shutdowns, etc.)
APP	Feb. 2012	Grand Island, NY	cGMP violations, particularly, insects found in drug product areas and several drug vials. Also, the FDA found that APP was producing several drugs that hadn't been approved.	APP has not yet commented on the potential impact (supply disruptions, recalls, etc).
Sandoz	Nov. 2011	Boucherville, Quebec; Broomfield, CO; Wilson, NC	Quebec: Microbiological contamination of sterile products; Broomfield: inadequate quality assurance procedures; Wilson: repeat violation of previously issued warning letter from August 2008 involving the product quality.	Sandoz announced temporary supply disruptions to products manufacturered out of its Quebec facility, including non-medically necessary injectibles; For medically necessary products, Sandoz is likely to reduce the number of formulations for each drug.
Hospira	Apr. 2010	Clayton, NC; Rocky Mount, NC	cGMP violations. Clayton: inadequate quality assurance procedures (particularly, contamination of Liposyn, Propofol, and Cleviprex emulsion products with stainless steel shavings). Rocky Mount: inadequate quality assurance procedures. Subsequent reinspections of the Rocky Mount facility resulted in the issuance of Form 483's listing observations related to inadquate quality and operating procedures.	Hospira voluntarily shut down certain product lines temporarily and slowed the release of products in these manufacturing facilities. Propofol and Liposyn products manufactured out of the Clayton, NC facility were recalled.
Teva	Dec. 2009	Irvine, CA	cGMP violations, particularly failure to subject each lot of a component with potential for microbiological contamination that is objectionable in view of its intended use, to microbiological tests before use. Cited was failure to test each lot of raw materials used in the manufacture of Propofol Injectable Emulsion finished products to determine the presence and levels of bacterial endotoxin.	Teva voluntarily ceased production out of its Irvine, CA facility in the 2Q10 as it carried out a remediation plan required by the FDA. In April 2011, Teva resumed limited manufacturing activity with the expectation of being able to resume full production out of this facility in 2H12. Notably, Teva recalled propofol manufactured out of its Irvine facility in Dec 2009 and has since dropped the product from its portfolio.

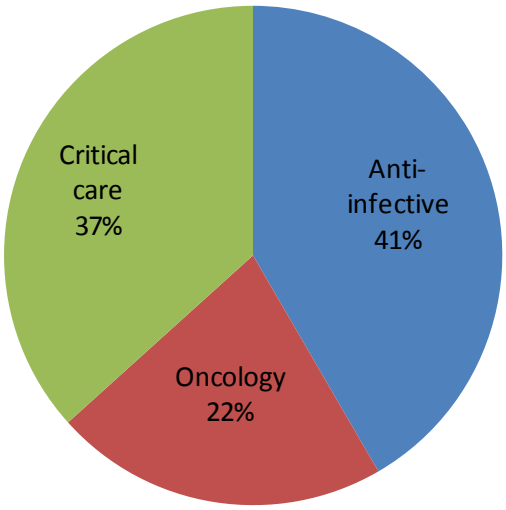
Source: Company reports, FDA.gov, PJC Research

SAGENT'S EXISTING GENERIC INJECTIBLES BUSINESS

Sagent's commercial portfolio can generally be broken up into three therapeutic categories: anti-infectives, oncology, and critical care products. Though the first product Sagent launched was a critical care injectible (adenosine in December 2007), the company's early commercial portfolio largely consisted of anti-infective injectibles, accounting for 80% and 83% of total revenues in 2008 and 2009, respectively. As a result of Sagent more recently re-focusing its development efforts on injectible generic products that have experienced market shortages and potentially higher margin opportunities (e.g. oncology injectibles), the company's commercial portfolio is now more well balanced across the three therapeutic categories.

Exhibit 14

SAGENT THERAPEUTIC SEGMENTS AS A PERCENTAGE OF 2011 REVENUE



Source: Company reports, PJC Research

Sagent currently markets more than 30 injectible products. Generally, Sagent has focused on injectibles where the form or packaging of a product has the ability to be enhanced to provide improved delivery, safety and ease-of-use to the end-user. As such, the company's commercial portfolio offers products in various package forms, such as prefilled syringes, premix bags, and single-dose and pharmacy bulk package vials (and because the company has a wide partner network, it has access to virtually all types of presentations of injectible products).

Exhibit 15

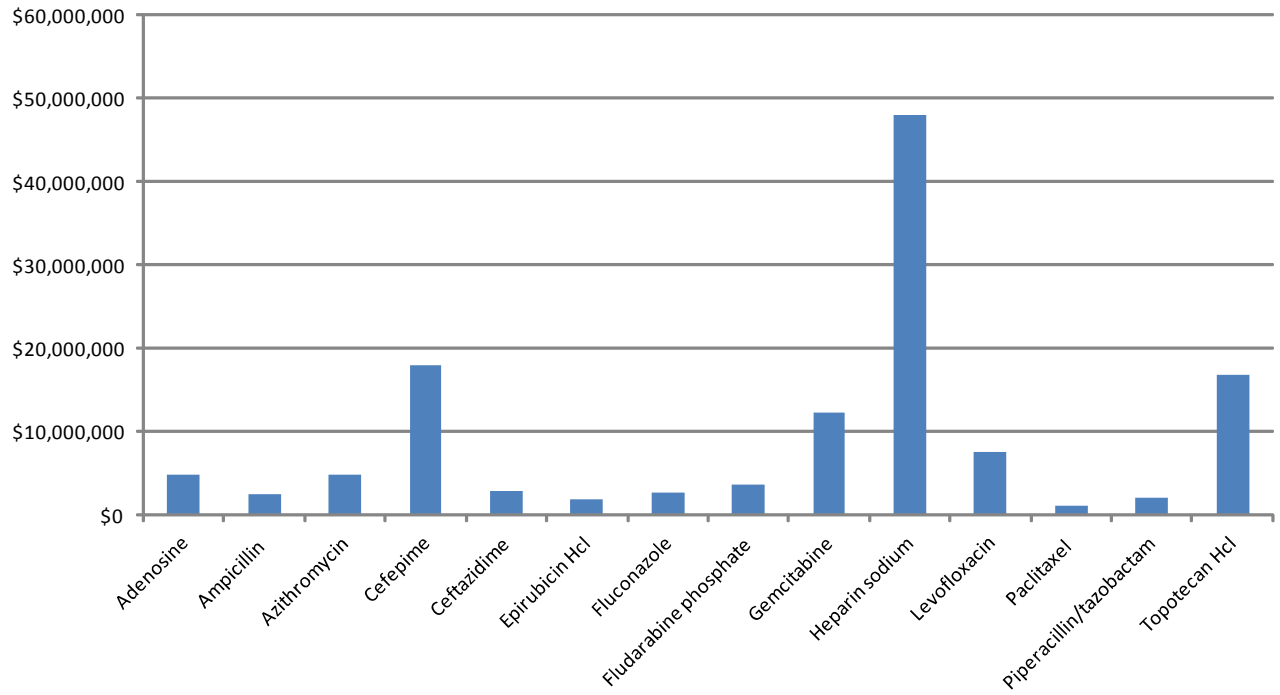
SUMMARY OF SAGENT'S COMMERCIAL PORTFOLIO

Product	Therapeutic Focus	Brand Equivalent	Date Launch	2011 IMS Sales ($M)	Market Participants	SGNT market Share (in 4Q11)
Adenosine	Critical care	Adenocard	Dec-07	$4.9	3	41%
Amiodarone Hcl	Critical care	Cordarone	Jul-08	$0.1	3	0%
Ampicillin	Anti-infective	N/A	Jul-10	$2.5	5	9%
Ampicillin/sulbactam	Anti-infective	Unasyn	Aug-10	$2.2	7	13%
Azithromycin	Anti-infective	Zithromax	May-09	$4.8	7	18%
Bacitracin	Anti-infective	N/A	Oct-10	$1.5	3	24%
Cefazolin	Anti-infective	Ancef	Mar-08	$1.7	10	3%
Cefepime	Anti-infective	Maxipime	Apr-08	$17.9	7	33%
Cefoxitin	Anti-infective	Mefoxin	Dec-09	$2.3	5	9%
Ceftazidime	Anti-infective	Fortaz	Jul-08	$2.8	6	23%
Ceftriaxone	Anti-infective	Rocephin	Jul-08	$2.4	15	1%
Cefuroxime	Anti-infective	Zinacef	Jul-08	$0.7	6	21%
Ciprofloxacin	Anti-infective	Cipro	Mar-08	$1.4	5	9%
Epirubicin Hcl	Oncology	Ellence	Aug-09	$1.9	5	37%
Fluconazole	Anti-infective	Diflucan	Sep-09	$2.7	5	21%
Fludarabine phosphate	Oncology	Fludara	Aug-09	$3.7	7	36%
Gemcitabine	Oncology	Gemzar	Jul-11	$12.3	10	7%
Granisetron Hcl	Oncology	Kytril	Jan-11	$2.3	6	34%
Haloperidol	Critical care	Haldol	Dec-11	$0.0	6	1%
Heparin sodium	Critical care	N/A	Jul-10	$48.0	6	22%
Labetalol Hcl	Critical care	Trandate	May-10	$0.1	4	1%
Levofloxacin	Anti-infective	Levaquin	Jul-11	$7.7	2	18%
Mesna	Critical care	Mesnex	Jan-11	$1.1	6	8%
Metoprolol tartrate	Critical care	Lopressor	Aug-10	$0.5	8	5%
Orphenadrine citrate	Critical care	Norflex	Oct-11	$0.4	5	24%
Paclitaxel	Oncology	Taxol	Sep-11	$1.1	6	10%
Pamidronate disodium	Oncology	Aredia	Jan-10	$0.6	8	7%
Piperacillin/tazobactam	Anti-infective	Zosyn	Jul-11	$2.1	6	1%
Polymyxin B	Anti-infective	Polymyxin B	Sep-11	$0.4	3	27%
Rocuronium	Critical care	Zemuron	Dec-11	N/A	6	N/A
Sumatriptan succinate	Critical care	Imitrex	Feb-11	$0.8	8	2%
Topotecan Hcl	Oncology	Hycamtin	Dec-10	$16.9	6	35%
Vecuronium bromide	Critical care	Norcuron	Aug-11	$1.6	5	34%
Vinorelbine	Oncology	Navelbine	Oct-09	$2.3	7	38%

Source: Company reports, IMS Health, PJC Research

Exhibit 16

SUMMARY OF 2011 SALES OF SELECTED PRODUCTS (BASED ON IMS DATA)



Source: PJC estimates, IMS, and company reports

Generic Heparin Still a Sizable Top-Line Driver, but its Share of the Mix Will Continue to Decline as SGNT Launches More Products

Exhibit 16 above illustrates the extent to which Sagent's business is diversified. As of 4Q11, no single product represented more than 20% of total revenues. Based on IMS monthly sales data, Sagent's largest seller is its generic version of heparin sodium, launched in July 2010. Heparin is an anticoagulant used to prevent and treat blood clotting. In 4Q11, we estimate that the product accounted for just under 20% of Sagent revenue.

Sagent's success with heparin demonstrates the extent to which the company has been opportunistic in the face of market shortage of generic injectible products. In March 2008, two manufacturers of generic heparin, Baxter and B. Braun, removed their products from the market amid reports of contamination that resulted in a significant number of patient adverse events (the FDA cited a API manufacturing plant located in China as the source of the contamination). As a result, APP (Fresenius) was left as the only supplier of heparin in the U.S. In light of the supply disruption, Sagent was able to identify an alternative API source for heparin (an impressive feat in our view, considering heparin is a complex product originated from pig intestines) and file aNDAs for a variety of presentations of heparin. Sagent launched its heparin generic in the U.S. in July 2010 and was able to quickly capture a meaningful share of the heparin market, despite competition from larger manufacturers (APP and Hospira, who both entered the heparin market prior to 2000).

We note that though heparin represents Sagent's largest commercial product in terms of revenue, margins for the product are quite low at around 10%, compared to corporate gross margins of 15% (Sagent even discontinued one presentation of heparin due to its unprofitability). Despite Pfizer and Hikma more recently launching heparin products, we believe barriers to entry for additional competitors are high given the difficult in obtaining API sources for the product.

Exhibit 17

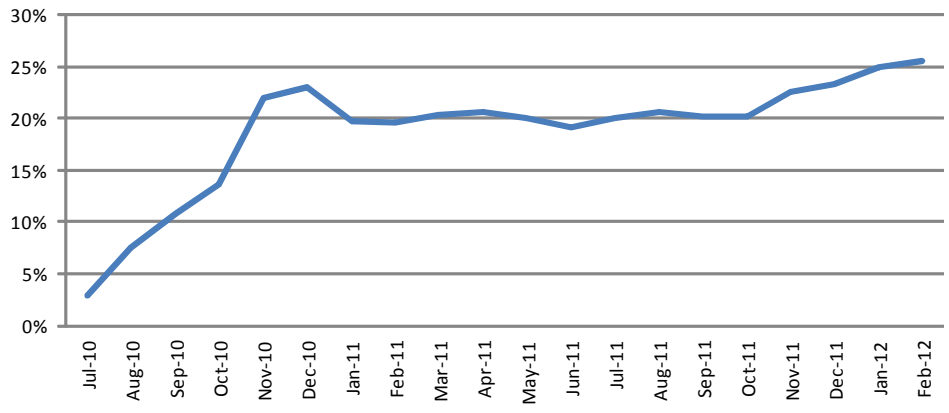
RELEVANT HEPARIN MARKET PARTICIPANTS

Manufacturer	Concentrations offered	2011 IMS Sales ($M)	Annual growth	Market Share (in 4Q11)
Sagent	Glass vial: 1,000 units/mL, 5,000 units/mL, 10,000 units/mL, 20,000 units/mL	$48	n/a	22%
APP	Glass vial: 1,000 units/mL, 5,000 units/mL, 10,000 units/mL, 20,000 units/mL	$129	-35%	53%
Hospira	Glass vial: 1,000 units/mL, 5,000 units/mL, 10,000 units/mL	$58	-12%	24%
Pfizer	Glass vial: 1,000 units/mL, 5,000 units/mL, 10,000 units/mL	n/a	n/a	n/a
Hikma (West-Ward)	Glass vial: 1,000 units/mL, 5,000 units/mL, 10,000 units/mL	n/a	n/a	n/a

Source: Company reports, IMS Health, PJC Research
Note: Pfizer and Hikma more recently launched heparin sodium products, however IMS has not yet recorded meaningful data for these manufacturers.

Exhibit 18

MARKET SHARE TRENDS (BASED ON IMS SALES) FOR SAGENT'S HEPARIN GENERIC



Source: IMS Health, PJC Research

Oncology Portfolio: Significant Opportunity to Expand Footprint

Sagent has eight generic versions of injectible oncology drugs on the market. In 4Q11 and 2011, sales of oncology generic products for Sagent were $11 million and $33 million, respectively, up 53% and 325% over their respective corresponding periods in 2010. The company's largest selling oncology product is currently Topotecan, with 2011 sales of $17 million (per IMS). Given the relatively large size of the oncologic injectible generics space (2011 IMS sales of near $1 billion) and given Sagent's small footprint in terms of currently available products, we believe there is ample room for Sagent to expand its footprint here.

Gemcitabine: large opportunity, but a lot of competition. Gemcitabine, known under the trade name Gemzar, achieved peak brand sales of around $800 million prior to going off patent in November 2010. The product is approved to treat non small cell lung cancer, pancreatic cancer, metastatic breast cancer, and ovarian cancer. Brand and generic sales of gemcitabine totaled just north of $400 million in 2011, per IMS. In July, Sagent (along with five other manufacturers: Onco Therapies, Dr. Reddy's, Accord, Sun, and Watson) received approval for its gemcitabine generics (200 mg and 1 g vials). APP, Hospira and Sandoz (the authorized generic for Eli Lilly) have been on the market since 4Q10. In 4Q11, Sagent's sales share was approximately 7%.

Paclitaxel: competitor supply problems present SGNT with an opportunity for share gains. Paclitaxel is a commonly used chemotherapy agent, with a significant role in the treatment of lung, ovarian, and breast cancers (with off-label use in other varieties of cancer as well). Sagent launched multi-dose vials of paclitaxel in late September 2011, becoming the sixth market entrant. Sales of paclitaxel in 2011 were roughly $45 million, however the market has been hampered by severe shortages of supply, with a number of competitors experiencing supply constraints (details can be found in Exhibit 19 below). As a result, Sagent could easily be in a position to fill the void. Sales share for SGNT was 3% in 4Q11, and is now 10% as of February 2012 IMS sales data (though total monthly IMS sales of paclitaxel across all manufacturers has been declining the last several months).

Exhibit 19

SUMMARY OF PACLITAXEL SUPPLY DISRUPTIONS

Manufacturer	Reason for Shortage	Estimated resupply date	2011 IMS Sales ($M)	Market Share (4Q11)
APP	Increased demand	Some doses on allocation and others have an estimated resupply date of late-April	$7.3	16%
Hospira	Increased demand	Mid-March for some doses and mid-April for others	$14.8	33%
Teva	Manufacturing delays	Limited supplies of the product and allocating product to wholesalers as it becomes available	$13.6	30%
Bedford	Voluntarily suspension of manufacturing and distribution	Company cannot estimate a resupply date	$5.7	13%
Sandoz	Raw material shortage	Mid-March for some doses and early June for others	$2.1	5%

Source: American Society of Health-System Pharmacists (ASHP), IMS Health, PJC research
Note: Pfizer launched 100 mg and 300 mg vials of paclitaxel in March 2012 and will launch 30 mg vials in April 2012

Topotecan: SGNT continues to enjoy strong sales share. Topotecan, also known by the trade name Hycamtin, is approved to treat small cell lung cancer, ovarian cancer, and cervical cancer. Brand and generic sales of topotecan totaled $53 million in 2011, per IMS. Sagent launched its topotecan generic (4 mg vial form) following the expiration of patents for Hycamtin in December 2010 along with APP and Three Rivers (Kadmon). The company's sales share was 36% by the end of 1Q11. Even after Hospira launched its topotecan product in March 2011, Sagent has maintained its strong market position (as of 4Q11, Sagent's share stands at 35%).

Anti-Infective Portfolio: Largest Number of Sagent Product Offerings

Cefepime: SGNT still holding on to sizable share in a relatively crowded market. Cefepime is an antibiotic that was once marketed by Elan under the brand name Maxipime. The product is used to treat a variety of infections in the hospital setting. Sagent launched preservative-free vials of cefepime in April 2008 following the expiration of Elan's patents for Maxipime. Since its launch, Sagent has faced competition from a number of new entrants, including Apotex, Sandoz, APP, and Baxter. As of 4Q11, Sagent holds a 33% share of the cefepime market (based on IMS sales), compared to a market share of 34% in 4Q10.

Successful launch of generic Levaquin; likely to see additional competition though. Sagent launched pre-mixed bags of the antibiotic levofloxacin (trade name Levaquin) in July 2011. Brand and generic levofloxacin sales in 2011 were $133 million, per IMS. Around 95% of sales are of the pre-mixed bags, with vials accounting for the remainder of sales. Akorn and Sandoz also have generic versions of levaquin available, though only Sandoz directly competes with Sagent (Sandoz sells the pre-mixed bags and Akorn sells the vials). As of 4Q11, Sagent held 19% of the market for the pre-mixed bags (in terms of sales). Management has noted that it expects to see additional competition in 1H12, but did suggest that they are in strong position with contracts and are well positioned to supply before competition intensifies.

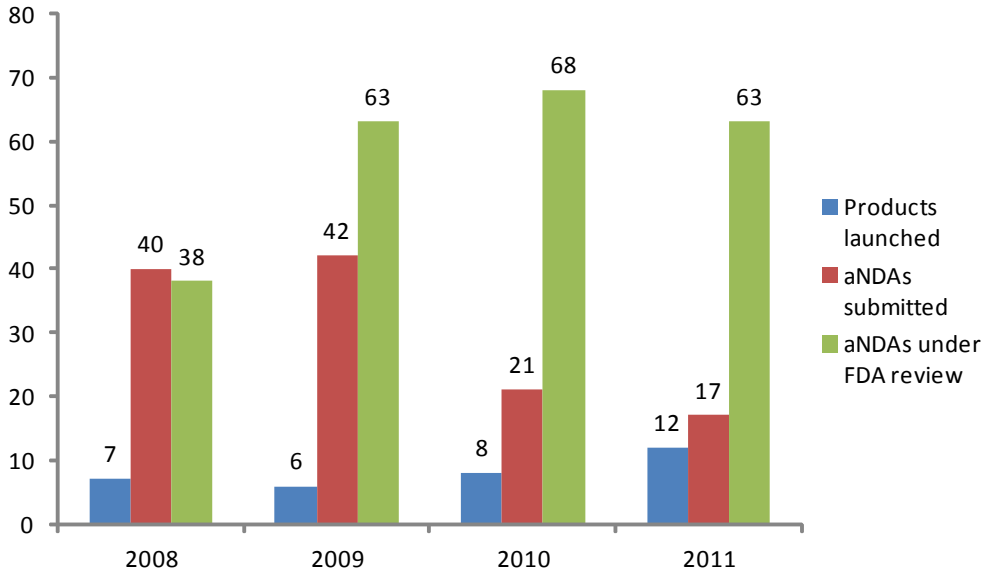
Generic Zosyn: relatively crowded; Pfizer defending the brand. Sagent launched its generic version of Pfizer's Zosyn (piperacaillin/tazobactam) in July 2011 through its partnership with Aurobindo. As per IMS, sales of brand and generic Zosyn in 2011 totaled $526 million. Generic competitors to Sagent in this market include Apotex, Hospira, Sandoz, and APP. After several additional generics entered the market in 2Q/3Q (including Sagent), Pfizer significantly lowered brand Zosyn prices to match those of its generic competition. As a result, Pfizer still has significant market share (88% of IMS sales in 4Q11)share of the market as of 4Q11. While there is clearly significant room for generic manufacturers to capture share from Pfizer, the relatively crowded nature of the market may not make Zosyn a very attractive product for Sagent from a margin perspective.

DEEP ABBREVIATED NDA PIPELINE

Sagent has 63 aNDA filings under FDA review, with an average age of 27 months, and also has 13 aNDAs recently approved by the FDA pending commercial launch. With a maturing aNDA pipeline (bearing in mind that the average turnaround time for aNDA filings is now over 30 months), we would expect to see some approvals as 2012 progresses, but will likely see a faster pace of approvals starting next year. SGNT has noted that the average turnaround time for its aNDA filings was approximately 22 months, and given that some of the filings are presumably for products on the shortage list, the review timelines for a number of products could very well be abbreviated. We note that Sagent received FDA approval for at least four injectible products developed through its Strides JV in 2H11. These products are expected to launch later this year (one product, critical care injectible rocuronium bromide, was launched in December 2011).

Exhibit 20

OVERVIEW OF SAGENT'S PIPELINE EXECUTION AND PENDING ANDA FILINGS



Source: Company reports and PJC Research

Sagent expects to launch at least 18 products in 2012, eight of which were developed via its JV with Strides. Management believes that a majority of these launches will occur in the second half of 2012. The pace of aNDA submissions will likely slow as Sagent's product portfolio reaches critical mass (there were 17 filings in 2011 and 21 in 2010; management is expecting 12-15 submissions in 2012). That said, as newer filings mature and eventually gain approval, a number of these will have somewhat better margins since a significant share of these newer filings were not partner-based (development partner that is).

Exhibit 21

SAGENT PIPELINE BY THERAPEUTIC FOCUS

Product Category	Under FDA Review	Initial Development
Anti-infective products	8	4
Oncology products	5	11
Critical care products	23	14
-Total	36	29

Source: Company reports and PJC Research

Chengdu facility to focus significantly on oncology injectibles on the shortage list. Sagent expects at least 10 of the first 12 products manufactured out of its Chengdu, China facility to be those that are currently on the FDA's drug shortage list, with a particular focus on oncology injectibles. Two aNDAs have already been filed out of this facility, with several more to follow in 2012 leading up to the site's potential FDA approval sometime in late 2012 or early 2013.

COMPANY MANAGEMENT

Jeffrey Yordon, President, Chief Executive Officer & Chairman. Mr. Yordon has served as President, Chief Executive Officer and Chairman of the board of directors for Sagent since April 2006. Prior to Sagent, Mr. Yordon held the positions of Chief Strategic Officer, Co-Chief Operating Officer and President of American Pharmaceutical Partners (now Abraxis Pharmaceutical Products) and was a member of its board of directors over a 10 year stay at the company. Prior to that, Mr. Yordon held the positions of President of Faulding Pharmaceuticals; EVP of Gensia Laboratories; President and Chief Executive Officer of YorPharm and President of LyphoMed, Inc.

Jonathon Singer, Chief Financial Officer. Mr. Singer has served as Chief Financial Officer at Sagent since September 2011. Prior to Sagent, Mr. Singer served as SVP and Chief Financial Officer of Landauer, Inc., a radiation sciences and services company, over a five year stay at the company. Prior to Landauer, Mr. Singer served as the VP of Global Finance and Chief Financial Officer of the Medical segment of Teleflex, Inc., which he joined in 2004. His previous roles include positions at Cardinal Health, Inc., R.R. Donnelley and Sons, Inc., and KPMG.

Ronald Pauli, Chief Business Officer. Mr. Pauli has served as Chief Business Officer at Sagent since September 2011, having served as Chief Financial Officer from April 2007 to September 2011. Prior to Sagent, from August 2006 to March 2007, Mr. Pauli served as EVP and Chief Financial Officer of Neopharm, Inc. His earlier experience includes positions at Abraxis BioScience, Ersco Corporation, R.P. Scherer, Kmart Corporation, and Ernst & Whinney (now Ernst & Young).

Michael Logerfo, Chief Legal Officer, Corporate Vice President and Secretary. Mr. Logerfo has served as Corporate Vice President since March 2007, Chief Legal Officer since April 2010, and Secretary since September 2010. He served as Chief Operating Officer of Sagent's KSP joint venture from March 2007 to August 2008. Prior to Sagent/KSP, 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 also served as a lawyer in a private practice and as a partner with the law firm Phillips Nizer.

Albert Patterson, Senior Vice President, Operations. Mr. Patterson, R.Ph. has served as SVP of Operations since June 2010. Prior to Sagent, from September 2004 to June 2010, Mr. Patterson was Chief Executive Officer of The Bert Patterson Group, a healthcare consulting company focused on the generic pharmaceutical industry. His earlier experience includes leadership positions at Excel Rx GSO, the Contract Center of Excellence, Alternate Site Healthcare, and Premier, Inc.

Lorin Drake, Vice President, Sale & Marketing. Mr. Drake has served as VP, Sales and Marketing since May 2006. Prior to Sagent, Mr. Drake held the positions of Senior Director of Sales and VP of Sales of American Pharmaceutical Partners from 1998 to May 2006.

INVESTMENT RISKS

Manufacturing and regulatory risks. Sagent's regulatory risks are similar to other generic and specialty pharmaceutical companies. There is always the potential for FDA warning letters citing manufacturing and quality control deficiencies (not uncommon in the generics space). Even though Sagent currently does not have in-house manufacturing capabilities, the company still is exposed to the risk of one of its partners receiving an FDA warning letter and thus affecting Sagent's supply chain.

Commercial risks. Commercial risks for Sagent include the possibility for more entrants in the injectible spaces, potentially resulting in reduced volume share and/or pricing pressure. There is always the possibility that greater competitive pressures and/or pricing pressure can result in margin compression. Further, pricing erosion as a result of greater pressure from payors (namely Medicare and Medicaid) is also a possibility.

Sagent - Quarterly and Annual Income Statement

Fiscal Year Ends December 31 *($ In millions, except for EPS)*	2009A	2010A	2011A 1QA	2011A 2QA	2011A 3QA	2011A 4QA	2011A	2012E 1QE	2012E 2QE	2012E 3QE	2012E 4QE	2012E	2013E	2014E	2015E
Revenues															
Generic Injectables	29.2	74.1	30.3	32.3	41.3	48.5	152.4	43.2	53.5	62.7	73.4	232.8	324.4	401.4	438.7
Other Revenue	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
Total revenue	**$29.2**	**$74.1**	**$30.3**	**$32.3**	**$41.3**	**$48.5**	**$152.4**	**$43.2**	**$53.5**	**$62.7**	**$73.4**	**$232.8**	**$324.4**	**$401.4**	**$438.7**
Cost of sales	28.8	65.0	25.8	29.5	34.3	40.0	129.6	36.1	43.3	48.3	54.7	182.3	227.1	268.9	276.4
Gross Profit	**$0.4**	**$9.0**	**$4.6**	**$2.7**	**$6.9**	**$8.5**	**$22.8**	**$7.1**	**$10.2**	**$14.4**	**$18.7**	**$50.4**	**$97.3**	**$132.5**	**$162.3**
Research & development	12.4	11.2	2.4	2.4	3.5	4.6	12.8	5.2	5.3	5.5	6.1	22.1	22.7	24.1	24.1
Selling, general, and administrative	16.7	18.9	5.0	6.5	6.7	7.0	25.1	6.9	7.4	8.2	8.8	31.2	34.1	36.1	39.5
Other	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
Total Operating Expenses	**$29.1**	**$30.2**	**$7.3**	**$8.9**	**$10.1**	**$11.6**	**$37.9**	**$12.1**	**$12.7**	**$13.7**	**$14.9**	**$53.3**	**$56.8**	**$60.2**	**$63.6**
Operating Income	**($28.6)**	**($21.1)**	**($2.7)**	**($6.1)**	**($3.2)**	**($3.1)**	**($15.1)**	**($4.9)**	**($2.6)**	**$0.8**	**$3.8**	**($2.9)**	**$40.6**	**$72.2**	**$98.7**
Other income (expense), net	(0.5)	(1.1)	(0.5)	(1.2)	(1.3)	(1.1)	(4.2)	(1.1)	(0.6)	(0.4)	(0.4)	(2.5)	(1.1)	(1.1)	(1.1)
Income (loss) before taxes	**($29.1)**	**($22.2)**	**($3.3)**	**($7.3)**	**($4.5)**	**($4.2)**	**($19.3)**	**($6.0)**	**($3.2)**	**$0.4**	**$3.4**	**($5.4)**	**$39.5**	**$71.1**	**$97.6**
Income tax provision	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(6.7)	(23.5)	(36.1)
Net income (loss)	**($29.1)**	**($22.2)**	**($3.3)**	**($7.3)**	**($4.5)**	**($4.2)**	**($19.3)**	**($6.0)**	**($3.2)**	**$0.4**	**$3.4**	**($5.4)**	**$32.7**	**$47.7**	**$61.5**
Adjusted EPS, basic	**($15.45)**	**($11.41)**	**($1.56)**	**($0.33)**	**($0.16)**	**($0.15)**	**($0.96)**	**($0.21)**	**($0.11)**	**$0.01**	**$0.12**	**($0.19)**	**$1.04**	**$1.43**	**$1.74**
Adjusted EPS, diluted	**($15.45)**	**($11.41)**	**($1.56)**	**($0.33)**	**($0.16)**	**($0.15)**	**($0.96)**	**($0.21)**	**($0.11)**	**$0.01**	**$0.12**	**($0.19)**	**$1.04**	**$1.43**	**$1.74**
Shares outstanding, basic	1.9	2.0	2.1	22.2	27.9	27.9	20.0	28.1	28.3	28.5	28.7	28.4	31.4	33.4	35.4
Shares outstanding, diluted	1.9	2.0	2.1	22.2	27.9	27.9	20.0	28.1	28.3	28.5	28.7	28.4	31.4	33.4	35.4
Expenses as % of revenue:															
COGS	98.5%	87.8%	84.9%	91.5%	83.2%	82.5%	85.0%	83.5%	81.0%	77.0%	74.5%	78.3%	70.0%	67.0%	63.0%
R&D	42.4%	15.2%	7.8%	7.4%	8.4%	9.4%	8.4%	12.0%	10.0%	8.8%	8.3%	9.5%	7.0%	6.0%	5.5%
SG&A	57.1%	25.6%	16.4%	20.1%	16.2%	14.4%	16.5%	15.9%	13.8%	13.0%	12.0%	13.4%	10.5%	9.0%	9.0%
Margins:															
Gross margin	1.5%	12.2%	15.1%	8.5%	16.8%	17.5%	15.0%	16.5%	19.0%	23.0%	25.5%	21.7%	30.0%	33.0%	37.0%
Operating margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	1.2%	5.2%	NM	12.5%	18.0%	22.5%
Net income	NM	NM	NM	NM	NM	NM	NM	NM	NM	0.6%	4.7%	NM	10.1%	11.9%	14.0%
Income Tax												0.0%	17.0%	33.0%	37.0%
Y-O-Y Growth rates:															
Total revenue		**153.4%**	**251.0%**	**205.4%**	**94.1%**	**44.6%**	**105.8%**	**42.4%**	**65.8%**	**51.9%**	**51.1%**	**52.7%**	**39.4%**	**23.7%**	**9.3%**
R&D		-9.5%	-15.6%	-27.4%	36.5%	74.3%	13.7%	119.9%	125.2%	59.5%	33.2%	73.5%	2.6%	6.1%	0.2%
Selling, general, and administrative		13.5%	19.4%	48.7%	49.3%	18.2%	32.8%	38.1%	13.9%	21.9%	25.6%	24.1%	9.2%	6.1%	9.3%
Operating profit		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	78.2%	36.6%
Net income		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	45.6%	29.0%
EPS														**36.9%**	**21.7%**

SGNT: David Amsellem 212.284.9455

Sagent - Annual Cash Flow Statement

($ in millions)

	2009A	2010A	2011A	2012E	2013E	2014E	2015E
Beginning Cash & Equivalents	**$25.7**	**$7.7**	**$34.4**	**$52.2**	**$59.9**	**$99.7**	**$160.1**
Operating Activities							
Net Income (Loss)	($30.5)	($24.5)	($26.4)	($5.4)	$32.7	$47.7	$61.5
Depreciation & Amortization	$4.2	$1.2	$3.6	$4.0	$4.0	$4.0	$4.0
Other	$1.5	$2.3	$3.4	$3.3	$3.5	$3.7	$3.9
Stock-based Compensation	$0.6	$0.9	$2.5	$3.1	$3.8	$4.5	$5.5
Net Change in Assets and Liabilities	($18.6)	($7.8)	($3.5)	($1.3)	($8.3)	($3.4)	$1.8
Cash From Operations	**($42.8)**	**($27.8)**	**($20.4)**	**$3.7**	**$35.7**	**$56.5**	**$76.7**
Investing Activities							
Capital Expenditures	($0.1)	($0.3)	($0.3)	($1.0)	($1.0)	($1.0)	($1.0)
Short-Term Investments	$0.0	$0.0	($74.8)	$0.0	$0.0	$0.0	$0.0
Acquisition of Tangible Assets	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Acquisition of Intangibles	($0.3)	($1.8)	($4.8)	$0.0	$0.0	$0.0	$0.0
Other Investment [1]	($9.1)	($5.1)	$0.3	$0.0	$0.0	$0.0	$0.0
Cash From Investing Activities	**($9.4)**	**($7.3)**	**($79.6)**	**($1.0)**	**($1.0)**	**($1.0)**	**($1.0)**
Financing Activities							
Debt Issuance [2]	$4.5	$16.2	$19.1	$0.0	$0.0	$0.0	$0.0
Debt Repayments	$0.0	$0.0	($2.7)	$0.0	$0.0	$0.0	$0.0
Dividends	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Share Repurchases	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Stock and Option Issuances	$30.1	$45.6	$101.6	$5.0	$5.0	$5.0	$5.0
Other, Net	($0.3)	($0.1)	($0.1)	$0.0	$0.0	$0.0	$0.0
Cash From Financing Activities	**$34.3**	**$61.7**	**$117.8**	**$5.0**	**$5.0**	**$5.0**	**$5.0**
Net Change In Cash	($17.9)	$26.6	$17.8	$7.7	$39.7	$60.5	$80.7
Year End Cash & Equivalents	**$7.7**	**$34.4**	**$52.2**	**$59.9**	**$99.7**	**$160.1**	**$240.8**

SGNT: David Amsellem 212.284.9455

Sagent - Annual Balance Sheet

($ in millions)

	2010A	2011A	2012E	2013E	2014E	2015E
Current Assets						
Cash & Equivalents	$34.4	$52.2	$59.9	$99.7	$160.1	$240.8
Short-term investments	$0.2	$73.8	$73.8	$73.8	$73.8	$73.8
Accounts Receivable, net	$18.9	$29.0	$31.9	$35.6	$36.3	$39.7
Inventories	$30.6	$41.5	$42.5	$49.8	$55.3	$53.0
Other Current Assets	$6.3	$4.3	$4.6	$4.8	$5.0	$5.3
Total Current Assets	**$90.4**	**$200.8**	**$212.6**	**$263.5**	**$330.5**	**$412.6**
Property, Plant & Equipment, Net	$0.8	$0.9	($2.1)	($5.1)	($8.1)	($11.1)
Intangible Assets, Net	$2.6	$5.4	$5.4	$5.4	$5.4	$5.4
Other Assets	$24.8	$23.4	$23.4	$23.4	$23.4	$23.4
Total Assets	**$118.6**	**$230.5**	**$239.2**	**$287.2**	**$351.1**	**$430.2**
Liabilities & Equity						
Current Liabilities	$36.9	$51.1	$53.6	$56.3	$59.1	$62.1
Total Debt	$20.7	$37.1	$37.1	$37.1	$37.1	$37.1
Other Liabilities	$157.8	$0.6	$0.6	$0.6	$0.7	$0.7
Equity (deficit)	($96.8)	$141.7	$147.8	$193.1	$254.2	$330.3
Total Liabilities & Equity	**$118.6**	**$230.5**	**$239.2**	**$287.2**	**$351.1**	**$430.2**

Important Research Disclosures

Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage

R: Resuming Coverage

T: Transferring Coverage

D: Discontinuing Coverage

S: Suspending Coverage

OW: Overweight

N: Neutral

UW: Underweight

B: Buy (Piper Jaffray discontinued use of the B, N, and S ratings on June 30, 2009)

N: Neutral

S: Sell

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NA: Not Available

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Distribution of Ratings/IB Services
Piper Jaffray

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OW]	355	54.87	60	16.90
HOLD [N]	258	39.88	18	6.98
SELL [UW]	34	5.26	0	0.00

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Important Research Disclosures

Analyst Certification — David Amsellem, Sr. Research Analyst
— Traver A. Davis, Research Analyst
— Rebecca M. Forest, Research Analyst

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- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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