

July 29, 2011

Stock Rating  
**Overweight**

Industry View  
**In-Line**

## Sagent Pharmaceuticals Inc

### IMS Tracker: June 2011

**Investment conclusion:** Total 2Q11 sales were 30.7MM (before gross to net adjustments) compared to 2Q MSe of \$33MM. Total IMS sales were up 155% in June y/y, a slow down from May and April, which were 201% and 249% respectively. Excluding heparin and topotecan sales were up 29%. QoQ and MoM sales were down -10% & down -12% respectively on a weekly average basis. Heparin, topotecan and cefepime were 64% of sales in June compared to 66% in May.

**New product cadence to accelerate in 2H.** The second half holds multiple critical new product launches including 1) gemcitabine, 2) Zosyn, and 3) levofloxacin. These will be key to accelerating revenue growth toward MSe of \$167MM for the year. We look forward to details on the timing of these launches on the August 9 earnings calls.

**Topotecan under pressure:** Sagent's share was 16% in June compared to 28% in May and 31% in April. APP gained approximately 9% share and 200-300 bps went to Boehringer. Hospira and the brand Hycamtin (GSK) were stable, implying nearly all of the share loss was absorbed by Sagent.

**Heparin share holding flat:** Total heparin share was flat sequentially at ~16% where it has been YTD. Excluding the lock-flush products, share was 17% for Sagent (down -64 bps MoM, down -11 bps QoQ). The next important question will be clarity on the commercial impact of the Pfizer's recent heparin approval.

**Cefepime share flat at ~ 30%:** Sagent's market share was 29%, which is consistent with 28% in May and 29% in April. Weekly average sales were approximately flat at -1% MoM.

### Key Ratios and Statistics

Reuters: SGNT.O Bloomberg: SGNT US

Medical Technology / United States of America

Shr price, close (Jul 28, 2011)	\$27.05
Mkt cap, curr (mm)	\$56
52-Week Range	\$29.23-17.98

Fiscal Year ending	12/10	12/11e	12/12e	12/13e
ModelWare EPS (\$)	ND	(0.60)	0.46	1.55
Prior ModelWare EPS (\$)	-	-	-	-
P/E	ND	NM	58.8	17.5
Consensus EPS (\$)	(7.28)	(0.39)	0.67	2.03
Div yld (%)	ND	0.0	0.0	0.0

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

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

### Quarterly ModelWare EPS

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

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

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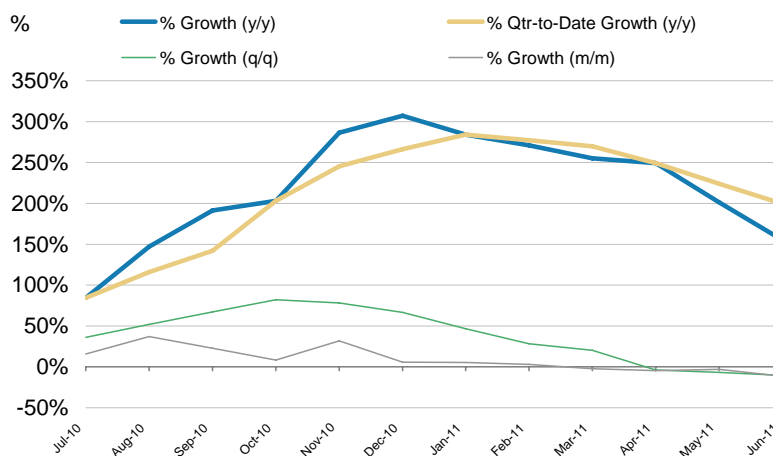
## Sagent 2Q11 IMS Trend Through April

### Sagent Product Sales

Total IMS sales were up 155% in June y/y. Excluding heparin and topotecan, sales were up 29%. QoQ sales were down -10% and MoM sales were down -12% on a weekly average basis. The fastest growth products were 1) epirubicin (1.3% of sales +257% y/y), 2) cefoxitin (2.7% of sales, +123% y/y, and 3) pamidronate (0.5% of sales, + 97% y/y).

Total 2Q11 sales were \$30.7 MM (before gross to net adjustments) compared to our estimate of \$33MM. However, this does not include the impact of recently approved Levofloxacin, Zosyn or additional new products.

### US IMS Product Sales for Sagent

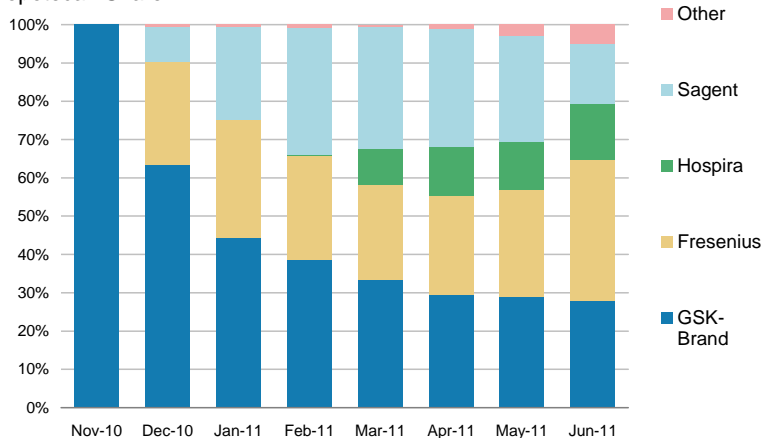


Source: IMS, Morgan Stanley Research.

### Topotecan losing ground to Fresenius

Sagent's share was 16% in June compared to 28% in May and 31% in April. Sales down -49% MoM on a weekly average basis. APP took significant share in June taking ~9% market share, almost of all of which came from Sagent.

### Topotecan Share



Source: IMS, Morgan Stanley Research.

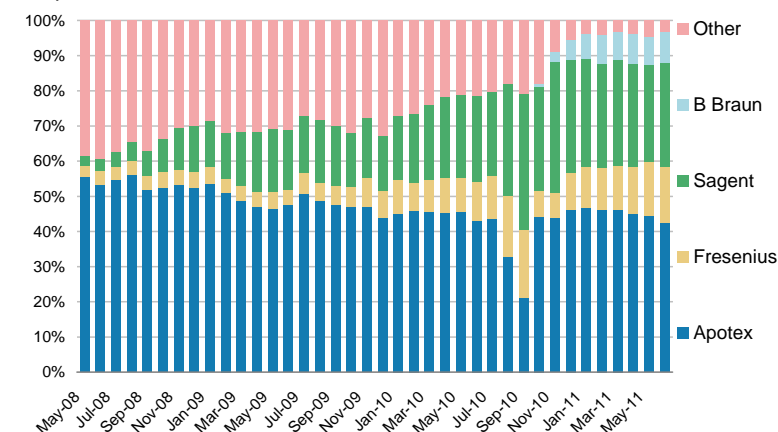
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Sagent Pharmaceuticals Inc

## Cefepime share flat at ~30%

Sagent's market share was 29%, which is consistent with 28% in May and 29% in April. Weekly average sales were approximately flat MoM at -1% and up 5% y/y.

Cefepime Share

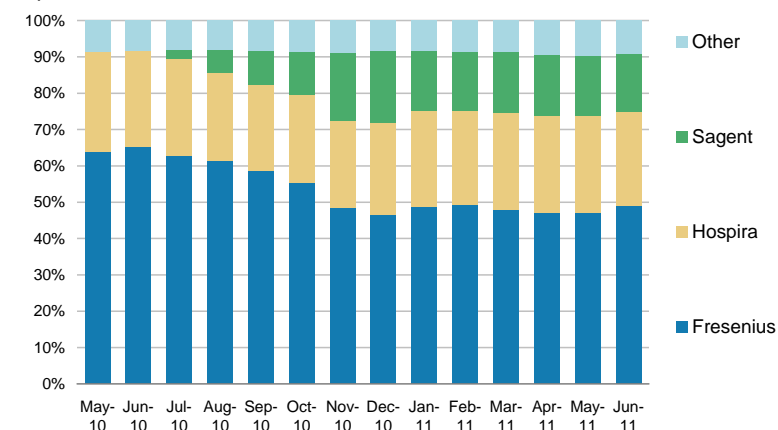


Source: IMS, Morgan Stanley Research.

## Heparin share holding flat

Total heparin share was flat sequentially at 16% where it has been all year. Excluding the lock-flush products, share was 17% for Sagent. Sales were down -5% on a weekly average basis over May and the 1Q average. Pfizer's recent FDA approval for heparin remains of unclear importance for this market. In addition, Hospira recently noted continued pricing pressure in the Heparin market, which is worth watching as well.

Heparin Share



Source: IMS, Morgan Stanley Research

### Company Description

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

### Medical Technology/United States of America

Industry View: In-Line

### GICS Sector: Health Care

Stratigist's Recommended Weight: 14.9%

S&P 500 Weight: 11.4%



July 29, 2011

Sagent Pharmaceuticals Inc



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(as of June 30, 2011)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1138</b>	<b>41%</b>	<b>470</b>	<b>49%</b>	<b>41%</b>
<b>Equal-weight/Hold</b>	<b>1143</b>	<b>41%</b>	<b>365</b>	<b>38%</b>	<b>32%</b>
<b>Not-Rated/Hold</b>	<b>117</b>	<b>4%</b>	<b>19</b>	<b>2%</b>	<b>16%</b>
<b>Underweight/Sell</b>	<b>389</b>	<b>14%</b>	<b>96</b>	<b>10%</b>	<b>25%</b>
<b>Total</b>	<b>2,787</b>		<b>950</b>		

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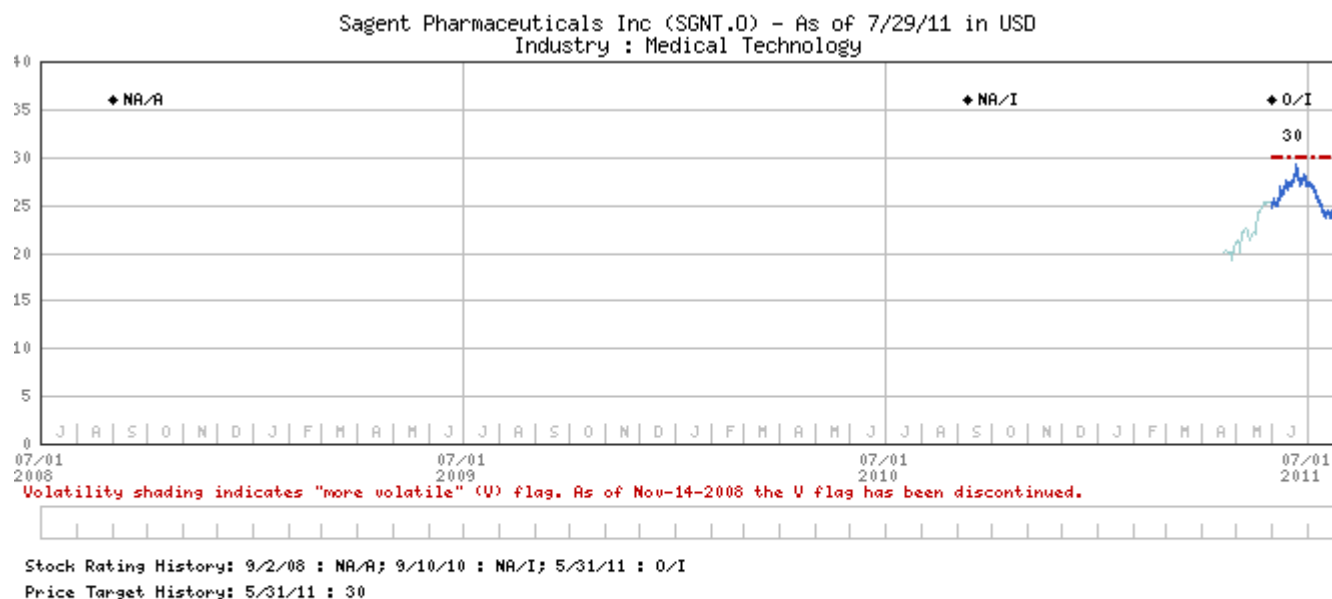
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## Stock Price, Price Target and Rating History (See Rating Definitions)

July 29, 2011

Sagent Pharmaceuticals Inc



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

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New York, NY 10036-8293  
**United States**  
Tel: +1 (1) 212 761 4000

**Europe**

20 Bank Street, Canary Wharf  
London E14 4AD  
**United Kingdom**  
Tel: +44 (0) 20 7 425 8000

**Japan**

4-20-3 Ebisu, Shibuya-ku  
Tokyo 150-6008  
**Japan**  
Tel: +81 (0) 3 5424 5000

**Asia/Pacific**

1 Austin Road West  
Kowloon  
**Hong Kong**  
Tel: +852 2848 5200

## Industry Coverage: Medical Technology

Company (Ticker)	Rating (as of)	Price* (07/28/2011)
<b>David R. Lewis</b>		
Abbott Laboratories (ABT.N)	O (09/04/2008)	\$51.62
Abiomed (ABMD.O)	E (02/06/2009)	\$16.51
Baxter International (BAX.N)	O (09/04/2008)	\$58.7
Becton Dickinson (BDX.N)	E (07/31/2009)	\$82.94
Boston Scientific (BSX.N)	E (09/10/2010)	\$7.28
C.R. Bard (BCR.N)	E (01/03/2011)	\$97.86
CareFusion Corp. (CFN.N)	O (05/20/2010)	\$26.49
Covidien (COV.N)	O (07/15/2010)	\$50.72
Edwards Lifesciences (EW.N)	E (09/04/2008)	\$72.46
Haemonetics Corporation (HAE.N)	U (01/03/2011)	\$65.18
Hansen Medical, Inc. (HNSN.O)	U (01/08/2009)	\$4.63
Hologic, Inc. (HOLX.O)	E (05/05/2009)	\$18.48
Integra LifeSciences (IART.O)	E (09/10/2010)	\$45.85
Intuitive Surgical Inc. (ISRG.O)	E (10/02/2007)	\$389.86
Johnson & Johnson (JNJ.N)	E (08/10/2010)	\$65.08
MAKO Surgical Corp. (MAKO.O)	E (07/11/2011)	\$28.76
Medtronic Inc. (MDT.N)	E (09/04/2008)	\$35.98
St. Jude Medical (STJ.N)	U (01/03/2011)	\$46.61
Stryker Corporation (SYK.N)	O (01/08/2010)	\$54.05
Zimmer Holdings, Inc. (ZMH.N)	E (07/16/2009)	\$60.24
<b>Marshall Urist, M.D., Ph.D.</b>		
Hospira (HSP.N)	E (07/16/2009)	\$51.59
Sagent Pharmaceuticals Inc (SGNT.O)	O (05/31/2011)	\$27.05

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.