

Potential Earnings Upside is Underappreciated, Initiating With Buy

Recommendation **BUY**
Price **\$21.12**
Target **\$25.00**

Fiscal Year Ends: Dec	2010E	2011E	2012E
Revenue (MM)	\$74	\$148	\$226
PF Earnings per Share			
Q1	NM	(2.09)A	(0.06)
Q2	NM	(0.37)A	0.00
Q3	NM	(0.17)A	0.15
Q4	NM	(0.17)	0.25
Year	NM	(1.10)	0.34
P/E ProForma	NM	NM	62.1x
Diluted Shares (MM)	NM	20.0	28.4

Key Data	
52-Week Range	\$29.23-\$13.50
Shares Outstanding (MM)	27.9
Market Cap (MM)	\$589
Avg. Daily Volume (000)	92
Float (MM)	6.3
% Held Institutionally	127.1%

■ Initiating coverage with a Buy rating and \$25 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 \$25. 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 (Please see our "Valuation" section for more details). We believe that stock price appreciation will be driven by upwards earnings revisions based on better than expected new product launches, an improving gross margin and business development.

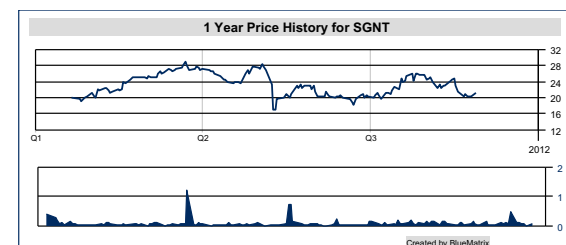
■ Our investment thesis in SGNT is threefold

(1) SGNT is well positioned to capture a substantial share (by volume) of generic injectable drugs in the US and potentially in China longer term. (2) There are many potential sources of earnings upside to consensus expectations. These could be driven by vertical integration, new product and/or smaller company acquisitions, the approval and launch of additional drugs on the FDA shortage list and the launch of new drugs out of SGNT's KSP facility in China. **We estimate the launch of critical shortage drugs could potentially add \$225MM+ in sales and contribute \$1.80+ in EPS annually for SGNT.** And, (3) SGNT's CEO, Jeff Yordon, has a demonstrated record of success. He has held leadership roles at nearly every generic injectable drug company in the industry. His deep knowledge of the generic injectable drug business and breadth of industry contacts gives us confidence that he can grow SGNT to be a leading generic injectables company.

■ Upcoming Catalysts

(1) 2 or 3 new product launches before end of 2011 (haloperidol, orphenadrine citrate, rocuronium bromide), (2) 16 ANDAs approved & pending launch, (3) 2012 financial guidance, (4) KSP facility completes FDA inspection & new launches begin, (5) 59 ANDAs on file at FDA, many should be approved 2012 & 2013, And (6) Business development.

Stock Performance



	1m	3m	12m
Performance	-17.8%	-8.5%	

Source: Bloomberg

Sagent Pharmaceuticals, Inc., founded in 2006, is a specialty pharmaceutical company focused on developing, manufacturing, sourcing and marketing pharmaceutical products, with a specific emphasis on injectable products. Sagent has created a unique, global network of resources, comprised of rapid development capabilities, sophisticated manufacturing and innovative drug-delivery technologies, quickly yielding an extensive portfolio of pharmaceutical products that fulfills the evolving needs of patients.

Please see page 12 for valuation and risks to our valuation

Contact

Louise Chen
212-389-8045
lchen@collinsstewartllc.com

Swati Kumar
212-389-8046
skumar@collinsstewartllc.com

Disclaimers regarding the content of this report as well as full disclosure of Collins Stewart LLC's ratings and information on the firm's position(s) in securities mentioned herein appear on page 50 of this report.

New York

Collins Stewart LLC
350 Madison Avenue
New York
NY 10017
(212) 389 8000

San Francisco

Collins Stewart LLC
11th Floor
505 Montgomery Street
San Francisco, CA 94111
415 659 2222

London

Collins Stewart Europe Limited
9th Floor
88 Wood Street
London EC2V 7QR
+44 (0)20 7523 8000

Dublin

Collins Stewart Europe Limited
First Floor
South Dock House
Hanover Quay, Dublin 2
+353 1 635 0210

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Earnings Upsides Are Underappreciated, Initiating With Buy

SCENARIO	VALUATION	INVESTMENT THESIS
Bull Case	2013E EPS: \$1.75 12 Month Bull Case Scenario: \$35	<ul style="list-style-type: none"> Sales of \$500MM+ by 2015 Gross margin 35%+ by 2014 FDA inspection complete and product approvals start in 2013 for KSP No supply or manufacturing issues (483s, Warning Letters) SGNT expands OUS
Base Case	2013E EPS: \$1.30 12 Month Price Target: \$25	<ul style="list-style-type: none"> Sales of \$374MM by 2015 Gross margin 35% by 2014 FDA inspection complete and product approvals start in 2014 for KSP No supply or manufacturing issues (483s, Warning Letters) SGNT does not expand OUS
Bear Case	2013E EPS: \$1.10 12 Month Bear Case Scenario: \$15	<ul style="list-style-type: none"> Sales below \$370MM by 2015 Gross margin below 30% by 2014 FDA inspection complete and product approvals start in 2015+ for KSP Supply and/or manufacturing issues (483s, Warning Letters) SGNT does not expand OUS

Source: Collins Stewart LLC

Valuation is a blend of P/E, DCF and sum of the parts analysis

INVESTMENT CONCLUSIONS

Initiating coverage with a Buy rating and \$25 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 (Market Capitalization \$589MM, as of market close 11/28/11) with a Buy rating and 12-month price target of \$25. 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 (Please see our "Valuation" section for more details). We believe that stock price appreciation will be driven by upwards earnings revisions based on better than expected new product launches, an improving gross margin and business development.

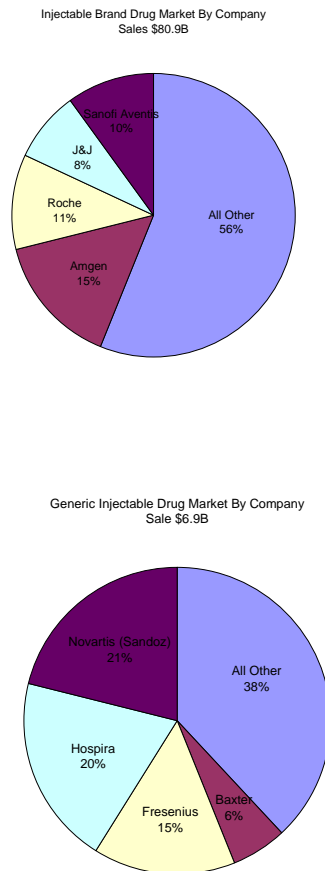
Our investment thesis in SGNT is threefold. (1) SGNT is well positioned to capture a substantial share (by volume) of generic injectable drugs in the US and potentially in China longer term. (2) There are many potential sources of earnings upside to consensus expectations. These could be driven by vertical integration, new product and/or smaller company acquisitions, the approval and launch of additional drugs on the FDA shortage list and the launch of new drugs out of SGNT's KSP facility in China. And, (3) SGNT's CEO, Jeff Yordon, has a demonstrated record of

success. He has held leadership roles at nearly every generic injectable drug company in the industry.

#1 Sagent Well Positioned to Capture Share in US

According to IMS, the branded US injectable market is projected to exceed \$100B by 2015 and generic injectables are estimated to be \$10B+ in sales. The injectable market is forecasted to grow 4% to 6% through 2015 and generic injectables will contribute over 20% of that growth. There is limited competition in the US generic injectable market. Sales are led by Sandoz and Hospira and the market is much more consolidated than the branded market.

Figure 1. Brand and Generic Injectable Market in 2011



Source: IMS and Collins Stewart LLC

This small market is further diminished by an increasing number of supply and/or manufacturing issues affecting key players in the generic injectables market (for example, Hospira). This has also led to a number of drug shortages in the industry. Therefore, SGNT stands to gain substantial market share because, (1) It has 59 ANDAs (Abbreviated New Drug Applications) across 32 products on file at FDA expected to be approved over 2012 and 2013. (2) Its KSP facility in China will focus on drugs in the FDA shortage list. And, (3) SGNT has a network of approximately 50 partners so it is unlikely to be seriously impacted by any potential issues at one given location. Furthermore, SGNT and its partners have new manufacturing facilities which are on average 3 to 4 years old while most of

its US competitors have facilities that are 25 to 30 years old. Our research and historical precedent suggest that these old facilities may be the “root cause” of many of the manufacturing deficiencies highlighted by the FDA. For example, it is our understanding that particulates in injectables can be eliminated through automation.

#2 Many Sources of Earnings Upside

SGNT is focused on increasing the number of generic injectable drugs that it sells with its \$100MM+ of IPO proceeds. Although the company was founded only several years ago in 2006, it has rapidly expanded its portfolio and pipeline of generic injectable drugs. SGNT has filed over 130 ANDAs (Abbreviated New Drug Applications) to date. As of September 2011, SGNT markets 30 products and has 59 ANDAs covering 32 products filed with the FDA. Please see the section entitled “New Product Opportunities” in the “Appendix” of the report.

There are still many potential sources of earnings upside for SGNT, in our view. These could be driven by vertical integration, new product and/or smaller company acquisitions, the approval and launch of additional drugs on the FDA shortage list as well as new drug launches out of SGNT's KSP facility in China. **Although some of the upsides are difficult to size at this point in time, we estimate that the launch of critical shortage drugs could add \$225MM+ in sales and contribute \$1.80+ in EPS annually for SGNT.** We have not included any sales for critical shortage drug launches in our financial model yet to be conservative.

Three key earnings upside that we would highlight include, (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.

#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. We think that SGNT is focused on two types of pipeline opportunities, (1) Limited competition drugs, And (2) Critical shortage drugs.

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. 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. 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 (American Society of Health-System Pharmacists) drug shortage list. We outline our findings in the Figure below.

Figure 2. 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
Ganciclovir	Testosteron Cyp
Gentamicin	Tetanus Tox
Glycopyrrolate	Thiamine
Hydralazine	Thiotepa
Hydromorphone	Tobramycin
Hydroxyzine	Vancomycin
Idarubicin	Vasopressin
Ifosfamide	Vitamin K

Source: IMS and Collins Stewart LLC

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 8 to 10 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 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.

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 – 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.

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.

#3 CEO has Demonstrated Record of Success

Since April of 2006, Jeff Yordon has been the CEO of SGNT as well as the Chairman of the Board. He has a demonstrated record of success at key generic injectable drug companies in the industry. His deep knowledge of the generic injectable drug business and breadth of industry contacts gives us confidence that he can grow SGNT to be a leading generic injectables company.

From February 1996 to March 2006, Mr. Yordon held the positions of CSO, Co-COO and President of APP (which was sold to Fresenius). He was also a member of APP's Board of Directors. Prior to that, Mr. Yordon held several other high profile executive positions including, President of Faulding (sold to Mayne which was acquired by Hospira), EVP of Gensia (sold to Sicor which was bought by Teva), President and CEO of YorPharm and EVP and President of LyphoMed.

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

FINANCIAL ASSUMPTIONS

Revenue

SGNT expects to double its sales from \$74MM in 2010 to about \$150MM by 2011. We expect sales to continue to ramp meaningfully in 2012 and 2013. This is because SGNT has 59 ANDAs covering 32 products filed with the FDA. The majority of these should be approved in 2012 and 2013.

Gross Margins

SGNT's gross margins are lower than other generic injectable manufacturers (mid teens for full year 2011 compared to 30% to 40% for its competitors). This is because SGNT has been focused primarily on building its pipeline, partnership network and market presence in the US at the expense of its gross margin. For example, heparin, SGNT's biggest product in terms of revenue, has one of the lowest gross margins in its product portfolio. We expect this to change over time as the company diversifies its product offering away from heparin towards more profitable products.

We expect SGNT to expand its gross margin from 12% in 2010 to a mid-30% run rate by the end of 2013 (in-line with management's guidance). This margin expansion will be driven by several things.

- Larger product launches and more limited competition opportunities
- Better economics in partnership agreements
- Higher margin products, including proprietary niche products and/or differentiated delivery forms
- Vertical integration, including drug launches through its KSP JV in China

Operating Expense

SGNT has been improving its operating leverage (SG&A as percent of sales has decline from 57% in 2009 to 16% in 2011). We believe that SGNT's current infrastructure can support a meaningful amount of additional sales growth. Over the next few years, we expect SG&A leverage to continue to improve. During its 3Q11 conference call, the company noted that the quarterly run rate for SG&A is expected to remain in a range of \$6.3MM to \$6.7MM.

Tax Rate

SGNT has \$81MM in accumulated NOLs as of 3Q11. The company has not given guidance as to how they plan to use their NOLs. Therefore, to be conservative we apply a US tax rate of 35% to earnings once the company reaches profitability. SGNT is looking into ways to lower its tax rate below 35%. We leave this as an upside in our financial model for now.

Share Count

SGNT currently has 27.9MM in shares outstanding. We assume the company's share count will remain under 30MM.

VALUATION

Sagent 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 \$25. Using a P/E analysis, we arrive at a 12-month value of \$22. We apply a 17 times multiple to 2013 earnings of \$1.30. This multiple is higher than SGNT's peers which are trading at a 15 times forward P/E multiple. We believe that 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 \$27. 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 \$32. 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.

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

PHARMACEUTICAL EQUITY COMPANY COMPARABLES 2009 to 2012E

		Price as of 11/28/2011	Shs. (B)	Market Cap (\$B)	52 - Week		EPS				P/E				2009-12E EPS Gr. Rate	PEG Ratio on 2012E	% Change Stock Price				
					High	Low	09	10	11E	12E	09	10	11E	12E			2007	2008	2009	2010	YTD
US Large-Cap Pharma																					
ABT	Abbott Labs	\$53.07	1.56	\$82.7	\$55.61	\$45.07	3.72	4.17	4.65	5.03	14.3	12.7	11.4	10.6	10.6%	1.00	14.7%	-4.4%	0.8%	-12.0%	15.1%
BMJ	Bristol Myers Squibb	31.11	1.70	52.7	33.27	24.97	1.85	2.16	2.30	2.01	16.8	14.4	13.5	15.5	2.8%	5.52	0.5%	-11.0%	5.7%	3.3%	22.6%
LLY	Eli Lilly	36.34	1.16	42.1	39.78	33.46	4.42	4.74	4.34	3.63	8.2	7.7	8.4	10.0	-6.4%	NM	2.2%	-23.4%	-12.0%	-2.2%	8.2%
JNJ	Johnson & Johnson	62.20	2.73	169.9	68.05	57.50	4.63	4.76	4.97	5.24	13.4	13.1	12.5	11.9	4.2%	2.82	0.5%	-9.2%	6.2%	-4.4%	1.7%
MRK	Merck	34.27	3.05	104.5	37.65	29.47	3.25	3.42	3.74	3.83	10.5	10.0	9.2	8.9	5.6%	1.59	32.0%	-47.0%	17.9%	-2.6%	-1.6%
PFE	Pfizer	19.05	7.69	146.4	21.45	16.25	2.02	2.23	2.27	2.31	9.4	8.5	8.4	8.2	4.6%	1.80	-13.5%	-22.7%	-0.4%	-7.5%	11.1%
US Large-Cap Pharma Index											12.1	11.1	10.6	10.9	3.6%	2.55	6.0%	-19.6%	3.0%	-4.2%	9.5%
US Specialty Pharma																					
AGN	Allergan	80.92	0.31	24.7	89.25	66.11	2.78	3.16	3.64	4.22	29.1	25.6	22.2	19.2	14.9%	1.28	7.8%	-36.3%	51.9%	8.4%	15.3%
CADJ	Cadence	4.15	0.08	0.34	10.00	3.63	(0.93)	(1.09)	(1.34)	(0.60)	NM	NM	NM	NM	NM	NM	17.7%	-46.8%	30.7%	-23.9%	-44.3%
COO	Cooper	59.28	0.05	2.8	84.19	51.51	2.29	3.10	4.38	5.20	25.9	19.1	13.5	11.4	31.4%	0.36	-13.2%	-56.8%	104.2%	49.2%	4.4%
ENDP	Endo	33.45	0.12	3.9	44.53	26.02	2.84	3.37	4.61	5.49	11.8	9.9	7.3	6.1	24.6%	0.25	-2.1%	-2.3%	-21.3%	69.2%	-7.2%
FRX	Forest Labs	29.15	0.27	7.8	40.52	28.56	3.45	4.12	4.08	1.57	8.4	7.1	7.1	18.6	-23.1%	NM	-27.4%	-28.3%	22.3%	-1.4%	-8.5%
HSP	Hospira	30.83	0.17	5.1	59.20	28.04	3.11	3.31	3.00	2.73	9.9	9.3	10.3	11.3	-4.3%	NM	26.0%	-36.1%	85.7%	9.4%	-44.0%
IPXL	Impax Labs	19.09	0.07	1.3	28.75	14.46	0.89	2.98	0.92	1.12	21.4	6.4	20.8	17.0	8.0%	2.14	NM	NM	NM	42.7%	-9.4%
MRX	Medicis	31.01	0.06	1.9	40.51	24.97	1.68	2.28	2.38	2.64	18.5	13.6	13.0	11.7	16.3%	0.72	-27.7%	-46.4%	90.4%	-3.8%	15.7%
MYL	Mylan Labs	18.19	0.43	7.8	25.46	15.49	1.30	1.61	2.01	2.37	14.0	11.3	9.0	7.7	22.2%	0.35	-29.8%	-31.8%	94.6%	12.9%	-16.0%
OMPI	Obagi	9.92	0.02	0.2	13.00	8.61	0.59	0.39	0.75	0.93	16.8	25.4	13.2	10.7	16.4%	0.65	86.3%	-56.9%	55.6%	-3.9%	-14.1%
PRX	Par	30.95	0.04	1.1	39.57	24.85	2.51	3.01	3.27	3.33	12.3	10.3	9.5	9.3	9.9%	0.94	3.9%	-43.7%	101.5%	39.0%	-20.2%
PRGO	Perrigo	94.89	0.09	8.8	101.46	59.87	2.36	3.40	4.00	4.19	40.2	27.9	23.7	22.6	21.1%	1.07	98.8%	-5.0%	26.0%	57.3%	49.3%
SGNT	Sagent	21.07	0.03	0.59	29.23	13.50	NM	NM	(0.93)	0.39	NM	NM	NM	54.0	NM	NM	NM	NM	NM	NM	5.9%
SHPGY	Shire	93.94	0.19	17.6	105.53	69.56	3.49	4.24	5.23	6.12	26.9	22.2	18.0	15.3	20.6%	0.75	11.0%	-32.5%	29.0%	21.3%	29.0%
TEVA	Teva	38.03	0.94	35.8	57.08	35.00	3.37	4.57	4.94	5.68	11.3	8.3	7.7	6.7	19.0%	0.35	48.7%	-9.4%	31.7%	-9.9%	-26.7%
VRX	Valeant	43.49	0.30	13.0	57.24	25.10	NM	NM	2.84	3.83	NM	NM	15.3	11.4	NM	NM	NM	NM	NM	NM	50.7%
WCRX	Warner Chilcott	15.15	0.25	3.8	25.92	12.90	1.89	3.43	3.77	4.04	8.0	4.4	4.0	3.8	28.8%	0.13	27.0%	-17.6%	96.6%	-22.1%	-33.1%
WPI	Watson	65.65	0.13	8.3	73.34	48.20	2.70	3.42	4.59	5.83	24.3	19.2	14.3	11.3	29.3%	0.38	3.2%	-1.2%	50.6%	28.2%	27.5%
US Specialty Pharma Index											18.6	14.7	13.1	14.6	15.7%	0.72	15.3%	-30.1%	56.6%	17.0%	-1.4%
US Large-Cap Biotech																					
AMGN	Amgen	\$55.92	0.88	\$49.0	\$61.53	\$47.66	4.91	5.21	5.30	5.67	11.4	10.7	10.6	9.9	4.9%	2.01	-32.1%	23.9%	-4.1%	-4.9%	0.7%
BIIB	Biogen IDEC	110.93	0.24	27.0	120.66	63.77	4.12	5.15	5.88	6.31	26.9	21.5	18.9	17.6	15.3%	1.15	15.4%	-14.7%	10.3%	25.0%	65.1%
CELG	Celgene	61.95	0.44	27.5	68.25	48.92	2.08	2.80	3.80	4.50	29.8	22.1	16.3	13.8	29.3%	0.47	-19.2%	19.4%	-1.4%	6.1%	3.2%
GILD	Gilead	39.75	0.75	29.9	43.49	34.45	3.06	3.69	3.94	4.51	13.0	10.8	10.1	8.8	13.8%	0.64	45.7%	12.8%	-17.1%	-16.3%	8.7%
US Large-Cap Biotech Index											20.3	16.3	14.0	12.5	15.8%	1.07	2.5%	10.3%	-3.1%	2.5%	19.4%
Medical Device/Hospital Supply																					
BAX	Baxter	\$49.05	0.56	\$27.7	\$62.50	\$47.69	3.80	3.98	4.31	4.70	12.9	12.3	11.4	10.4	7.3%	1.42	26.5%	-5.8%	8.7%	-11.0%	-1.3%
BDX	Becton Dickinson	71.90	0.22	15.5	89.75	69.59	5.03	5.09	5.45	6.08	14.3	14.1	13.2	11.8	NM	NM	20.2%	-20.0%	15.1%	9.7%	-13.8%
BCR	CR Bard	84.82	0.09	7.3	113.84	80.80	5.09	5.60	6.38	6.98	16.7	15.1	13.3	12.2	11.1%	1.09	15.1%	-8.1%	-7.6%	17.6%	-7.6%
CFN	CareFusion	23.72	0.23	5.3	29.97	22.01	NM	1.38	1.73	2.18	NM	17.2	13.7	10.9	6.5%	1.67	NM	NM	NM	3.1%	-6.5%
COV	Covidien	44.32	0.49	21.8	57.65	41.35	3.36	3.50	4.03	4.39	13.2	12.7	11.0	10.1	9.3%	1.08	NM	-14.9%	30.4%	-2.7%	-5.0%
Medical Device/Hospital Supply Index											14.3	14.3	12.5	11.1	8.6%	1.32	20.6%	-12.2%	11.7%	3.4%	-6.9%

Source: Thomson

M&A COMPARABLE COMPANIES 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
Average			\$1,739	3.0x	13.0x
Median			\$810	2.7x	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: Collins Stewart LLC

CATALYST CALENDAR

Date	Driver	Upcoming Event
2011		
2011	New Product Launches	2 or 3 before year end (haloperidol, orphenadrine citrate, rocuronium bromide)
2011	Drug Shortages	Obama executive order to expedite reviews and plant inspections for drug shortage ANDAs
End of 2011	Drug Shortages	May launch one shortage product before year end
End of 2011	Drug Shortages	Up to 250 drugs in short supply in US market
Late 2011/Early 2012	Haloperidol	Approved and pending launch
Late 2011/Early 2012	Orphenadrine Citrate	Approved and pending launch
Late 2011/Early 2012	Rocuronium Bromide	Approved and pending launch, Strides JV
Late 2011/Early 2012	KSP ANDAs	2 more submissions in the next 90 days (starting from early November)
2012		
Early 2012	Clindamycin	Approved and pending launch, Strides JV
2012??	Amiodarone	Return to market with plastic syringe
2012	4Q11 Earnings	May give financial guidance for 2012
1Q12??	Drug Shortages	In 4Q11 purchased some drugs on drug shortage list to be launched in 1Q12
1Q12	Bupivacaine Hydrochloride	Approved and pending launch, Strides JV
1Q12	Midazolam	Approved and pending launch, Strides JV
1Q12	Approved Products	16 ANDAs waiting to be launched, 8 with Sagent and Strides JV to be launched 1H12, some on FDA shortage list
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+	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	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: Collins Stewart LLC

SAGENT PHARMACEUTICALS FINANCIAL MODEL

(\$ in MM, except per share amounts)	SGNT Guidance	CS Estimates
Revenue increase 2011 YOY increase	>153%	100.1%
Revenue run rate of new product launches by end of 2013	\$400	NA
SG&A, 4Q11	\$6.3 to \$6.7	\$6.9
EBITDA run rate positive	End of 2011	NA
Gross Margin in mid teens	Full year 2011	14.7%
Gross Margin >mid 30% run rate	End of 2013	NA

Source: Collins Stewart LLC and company reports

Exhibit 1

Sagent Pharmaceuticals - Quarterly Income Statement Analysis 2009-2018E

(\$ in Millions, Except EPS)																		CAGR	
(Year Ended December 31)	2009	2010	1Q11A	2Q11A	3Q11A	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	13-18
Total Sales	29.2	74.1	30.3	32.3	41.3	44.3	148.2	45.0	48.0	64.3	68.2	225.5	283.5	331.5	374.3	412.5	446.6	476.9	11.0
COGS	28.8	65.0	25.8	29.5	34.3	36.9	126.5	36.9	38.4	48.2	47.8	171.3	189.9	215.5	241.4	264.0	283.6	300.5	
Gross Profit	0.4	9.0	4.6	2.7	6.9	7.4	21.7	8.1	9.6	16.1	20.5	54.2	93.5	116.0	132.9	148.5	163.0	176.5	
R&D	12.4	11.2	2.4	2.4	3.5	3.8	12.0	2.2	2.2	2.3	2.3	9.0	9.9	9.9	11.2	12.4	13.4	14.3	
SG&A	16.7	18.9	5.0	6.5	6.7	6.9	25.0	6.4	6.4	6.4	6.4	25.5	26.3	27.1	27.9	28.7	29.6	30.4	
Other/JV costs (income)	1.5	1.5	0.7	0.5	0.4	0.4	2.0	0.4	0.4	0.4	0.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6	
Operating Income	(30.1)	(22.6)	(3.4)	(6.6)	(3.6)	(3.6)	(17.3)	(0.9)	0.6	7.0	11.4	18.1	55.8	77.4	92.2	105.8	118.4	130.1	18.5
Interest Income	0.1	0.0	0.0	0.1	0.1	(0.2)	0.0	0.2	0.2	0.2	0.2	0.9	1.2	2.2	3.2	4.6	6.3	8.3	
Interest Expense	(0.5)	(1.1)	(0.5)	(1.2)	(1.2)	(1.0)	(4.0)	(1.0)	(0.8)	(0.8)	(0.8)	(3.3)	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	(0.8)	(0.5)	(0.4)	0.0	0.0	(0.8)	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)	(1.0)	(1.6)	(1.1)	(1.2)	(4.8)	(0.8)	(0.6)	(0.6)	(0.6)	(2.4)	1.2	2.2	3.2	4.6	6.3	8.3	
Pre-tax Income	(30.5)	(24.5)	(4.4)	(8.2)	(4.7)	(4.8)	(22.1)	(1.6)	0.0	6.4	10.8	15.7	57.0	79.6	95.4	110.4	124.7	138.4	
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	35.0%	35.0%	38.6%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	
Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	3.8	6.0	19.9	27.9	33.4	38.6	43.7	48.4	
Net Income	(30.5)	(24.5)	(4.4)	(8.2)	(4.7)	(4.8)	(22.1)	(1.6)	0.0	4.2	7.0	9.6	37.0	51.7	62.0	71.8	81.1	90.0	19.4
Average Shares Outstanding			2.1	22.2	27.9	28.0	20.0	28.1	28.2	28.3	28.4	28.4	28.6	28.8	29.0	29.2	29.4	29.6	
Operating EPS			(\$2.09)	(\$0.37)	(\$0.17)	(\$0.17)	(\$1.10)	(\$0.06)	\$0.00	\$0.15	\$0.25	\$0.34	\$1.30	\$1.80	\$2.14	\$2.46	\$2.76	\$3.04	18.6
% Change																			
Total Sales	153.4%		251.0%	205.4%	94.1%	32.0%	100.1%	48.3%	48.8%	55.8%	53.9%	52.2%	25.7%	16.9%	12.9%	10.2%	8.3%	6.8%	
COGS	125.9%		208.4%	176.8%	85.3%	34.2%	94.5%	43.3%	30.1%	40.4%	29.5%	35.4%	10.9%	13.4%	12.1%	9.4%	7.4%	6.0%	
Gross Profit	1969.3%		1466.2%	-2905.1%	153.7%	21.8%	140.2%	76.5%	249.2%	131.7%	174.9%	149.7%	72.5%	24.0%	14.5%	11.8%	9.8%	8.3%	
R&D	-9.5%		-15.6%	-27.4%	36.5%	45.2%	6.9%	-6.2%	-6.5%	-33.5%	-39.8%	-24.8%	10.0%	0.2%	12.9%	10.2%	8.3%	6.8%	
SG&A	13.5%		19.4%	48.7%	49.3%	15.7%	32.1%	28.1%	-1.6%	-4.7%	-7.1%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Other	-1.0%		54.7%	57.8%	89.2%	-19.1%	35.5%	-40.6%	-23.7%	-0.2%	-0.5%	-20.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Operating Income	-25.0%		-51.9%	-17.8%	-19.6%	23.5%	-23.5%	-74.1%	-109.1%	-293.8%	-414.4%	-204.9%	207.7%	38.8%	19.1%	14.8%	11.9%	9.8%	
Interest Income	-48.5%		375.0%	1300.0%	642.9%	-1591.7%	-100.0%	1053.4%	291.3%	110.7%	-222.4%	NM	40.4%	77.3%	46.9%	42.4%	37.4%	32.5%	
Interest Expense	141.8%		117.6%	444.7%	403.3%	134.2%	251.3%	88.7%	-37.5%	-36.5%	-20.8%	-16.5%	-100.0%	NM	NM	NM	NM	NM	
Other	NM		NM	-5.9%	-100.0%	-100.0%	3.1%	-100.0%	-100.0%	NM	NM	-100.0%	NM	NM	NM	NM	NM	NM	
Non-Operating Items	375.8%		306.4%	148.4%	203.3%	72.7%	151.8%	-20.2%	-64.5%	-50.2%	-51.9%	-49.3%	-150.6%	77.3%	46.9%	42.4%	37.4%	32.5%	
Pre-tax Income	-19.8%		-40.4%	-5.7%	-2.7%	32.7%	-9.8%	-62.3%	-100.6%	-236.2%	-326.5%	-171.0%	263.3%	39.7%	19.8%	15.7%	13.0%	11.0%	
Tax Rate	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-9.3%	0.0%	0.0%	0.0%	0.0%	0.0%	
Taxes	NM		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	229.7%	39.7%	19.8%	15.7%	13.0%	11.0%	
Net Income	-19.8%		-40.4%	-5.7%	-2.7%	32.7%	-9.8%	-62.3%	-100.6%	-188.5%	-247.3%	-143.6%	284.4%	39.7%	19.8%	15.7%	13.0%	11.0%	
Average Shares Outstanding	NM		NM	NM	NM	NM	NM	1244.6%	26.9%	1.4%	1.4%	41.9%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	
Operating EPS	NM		NM	NM	NM	NM	NM	-97.2%	-100.5%	-187.3%	-245.2%	-130.7%	281.7%	38.7%	19.0%	14.9%	12.2%	10.2%	

Source: Collins Stewart LLC and company reports

Exhibit 2

Sagent Pharmaceuticals - Quarterly Margin Analysis 2009-2018E

	2009	2010	1Q11A	2Q11A	3Q11A	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	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%	84.9%	91.5%	83.2%	83.2%	85.3%	82.0%	80.0%	75.0%	70.0%	75.9%	67.0%	65.0%	64.5%	64.0%	63.5%	63.0%
Gross Margin	1.5%	12.2%	15.1%	8.5%	16.8%	16.8%	14.7%	18.0%	20.0%	25.0%	30.0%	24.1%	33.0%	35.0%	35.5%	36.0%	36.5%	37.0%
R&D	42.4%	15.2%	7.8%	7.4%	8.4%	8.6%	8.1%	4.9%	4.6%	3.6%	3.4%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
SG&A	57.1%	25.6%	16.4%	20.1%	16.2%	15.5%	16.9%	14.2%	13.3%	9.9%	9.3%	11.3%	9.3%	8.2%	7.4%	7.0%	6.6%	6.4%
Other	5.1%	2.0%	2.2%	1.6%	1.0%	0.9%	1.3%	0.9%	0.8%	0.6%	0.6%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%	0.3%
Oper. Inc.	-103.1%	-30.5%	-11.3%	-20.5%	-8.7%	-8.2%	-11.7%	-2.0%	1.3%	10.9%	16.7%	8.0%	19.7%	23.4%	24.6%	25.7%	26.5%	27.3%
Non-Oper. Items	-1.4%	-2.6%	-3.1%	-4.9%	-2.7%	-2.6%	-3.2%	-1.7%	-1.2%	-0.9%	-0.8%	-1.1%	0.4%	0.7%	0.9%	1.1%	1.4%	1.7%
Pretax Income	-104.5%	-33.1%	-14.4%	-25.4%	-11.5%	-10.8%	-14.9%	-3.7%	0.1%	10.0%	15.9%	7.0%	20.1%	24.0%	25.5%	26.8%	27.9%	29.0%
Net Income	-104.5%	-33.1%	-14.4%	-25.4%	-11.5%	-10.8%	-14.9%	-3.7%	0.1%	6.5%	10.3%	4.3%	13.1%	15.6%	16.6%	17.4%	18.2%	18.9%

Source: Collins Stewart LLC and company reports

Exhibit 3

Sagent Pharmaceuticals- Quarterly Revenue Model 2009-2018E

(\$ in Millions)																		
(Year Ended December 31)	2009	2010	1Q11A	2Q11A	3Q11A	4Q11E	2011E	1Q12E	2Q12E	3Q12E	4Q12E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Global Base Business Sales	29.2	74.1	30.3	32.3	41.3	44.3	148.2	40.0	36.0	35.3	34.8	146.1	140.4	134.9	129.7	124.6	119.8	115.2
New Product Launches (only forecasts not historical)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0	12.0	29.0	33.4	79.4	143.1	196.6	244.7	287.9	326.8	361.8
Total Revenues	29.2	74.1	30.3	32.3	41.3	44.3	148.2	45.0	48.0	64.3	68.2	225.5	283.5	331.5	374.3	412.5	446.6	476.9
% Change																		
Total Revenues	153.4%		251.0%	205.4%	94.1%	32.0%	100.1%	48.3%	48.8%	55.8%	53.9%	52.2%	25.7%	16.9%	12.9%	10.2%	8.3%	6.8%

Source: Collins Stewart LLC and company reports

Exhibit 4

Sagent Pharmaceuticals - Annual Revenue Model 2009-2018E

(\$ in Millions)	Year Ended December 31st,										2010/	2011E/	2012E/	2013E/	2014E/	2015E/	2016E/	2017E/	2018E/	CAGR
	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Revenues																				
Heparin	0.0	18.8	28.5	27.1	25.7	24.4	23.2	22.1	21.0	19.9	NM	51.6%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Gemcitabine	0.0	0.0	5.0	8.0	7.6	7.2	6.9	6.5	6.2	5.9	NM	NM	60.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Cefepime	0.0	17.7	10.0	8.0	7.6	7.2	6.9	6.5	6.2	5.9	NM	-43.5%	-20.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Levofloxacin	0.0	0.0	9.0	10.0	9.5	9.0	8.6	8.1	7.7	7.4	NM	NM	11.1%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Topotecan	0.0	0.9	10.0	10.0	9.5	9.0	8.6	8.1	7.7	7.4	NM	1011.1%	0.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adenosine	0.0	4.1	4.0	3.8	3.6	3.4	3.3	3.1	2.9	2.8	NM	-2.4%	-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	81.7	79.2	76.9	74.6	72.3	70.2	68.1	66.0	11.4%	151.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%
Total Base Business Sales	29.2	74.1	148.2	146.1	140.4	134.9	129.7	124.6	119.8	115.2	153.4%	100.1%	-1.4%	-3.9%	-3.9%	-3.9%	-3.9%	-3.9%	-3.9%	-3.9%
Identified Pipeline Generics (Risk-Adjusted)																				
Haloperidol	0.0	0.0	0.0	1.6	1.5	1.4	1.4	1.3	1.2	1.2	NM	NM	NM	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Orphenadrine Citrate	0.0	0.0	0.0	0.8	0.8	0.7	0.7	0.7	0.6	0.6	NM	NM	NM	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Rocuronium Bromide	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%
Clindamycin	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.8	0.8	0.7	NM	NM	NM	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Amiodarone	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.8	0.8	0.7	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	1.0	1.0	0.9	0.9	0.8	0.8	0.7	NM	NM	NM	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Midazolam	0.0	0.0	0.0	1.0	1.0	0.9	0.9	0.8	0.8	0.7	NM	NM	NM	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Adenosine	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 Launches and Key Drugs	0.0	0.0	0.0	12.4	15.8	15.0	14.2	13.5	12.9	12.2	NM	NM	NM	27.3%	-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	79.4	143.1	196.6	244.7	287.9	326.8	361.8	NM	NM	NM	80.2%	37.4%	24.5%	17.7%	13.5%	10.7%	20.4%
Total Revenues	\$29.2	\$74.1	\$148.2	\$225.5	\$283.5	\$331.5	\$374.3	\$412.5	\$446.6	\$476.9	153.4%	100.1%	52.2%	25.7%	16.9%	12.9%	10.2%	8.3%	6.8%	11.0%

Source: Collins Stewart LLC and company reports

Exhibit 5

Sagent Pharmaceuticals - Cash Flow Analysis 2009-2018E

(\$ in Millions)										
(Year ended December 31)	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Cash flows provided by Operating Activities:										
Net Income	(30.5)	(24.5)	(22.1)	9.6	37.0	51.7	62.0	71.8	81.1	90.0
Depreciation and Amortization	4.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Other	2.1	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Changes in Working Capital	(18.6)	(7.8)	(40.4)	(28.2)	(16.9)	(16.8)	(15.9)	(14.0)	(12.4)	(10.9)
Net cash provided by Operating Activities	(\$42.8)	(\$27.8)	(\$61.3)	(\$17.3)	\$21.4	\$36.1	\$47.3	\$58.9	\$69.9	\$80.4
Cash flows from Investing Activities										
Capital Expenditure	(0.5)	(0.3)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Funding of Restricted Cash	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investments in Unconsolidated Joint Venture	(7.5)	(5.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of Product Development/Licensing Rights	(4.6)	(1.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash used in Investing Activities	(\$12.4)	(\$7.3)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)
Cash flows from Financing Activities										
Additions to Notes Payable	4.5	16.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Issuance of Long Term Debt	0.0	0.0	15.0	(6.8)	(8.2)	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)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash (used in) provided by Financing Acti	\$34.3	\$61.7	\$116.6	(\$6.8)	(\$8.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net (decrease) increase in cash and equivalents	(\$17.9)	\$26.6	\$53.3	(\$26.1)	\$11.2	\$34.1	\$45.3	\$56.9	\$67.9	\$78.4
Cash and equivalents at beginning of year	25.7	7.7	34.4	87.7	61.5	72.8	106.9	152.2	209.1	277.1
Cash and equivalents at end of year	\$7.7	\$34.4	\$87.7	\$61.5	\$72.8	\$106.9	\$152.2	\$209.1	\$277.1	\$355.4

Source: Collins Stewart LLC and company reports

Exhibit 6

Sagent Pharmaceuticals - Balance Sheet Analysis 2009-2018E

(\$ in Millions)										
(Year ended December 31)	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Assets										
Cash and Cash Equivalent	7.7	34.4	87.7	61.5	72.8	106.9	152.2	209.1	277.1	355.4
Restricted Cash and Cash Equivalents	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Accounts Receivable	6.9	18.9	29.6	45.1	56.7	66.3	74.9	82.5	89.3	95.4
Inventories	19.0	30.6	83.4	113.0	125.3	142.1	159.2	174.1	187.0	198.2
Prepaid Expense and Other Current Assets	9.1	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Total Current Assets	43.0	90.4	207.2	226.1	261.2	321.8	392.8	472.3	559.9	655.5
Plant, Property & Equipment	0.7	0.8	1.6	2.3	3.1	3.9	4.6	5.4	6.2	6.9
Investment in Joint Venture	19.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Other Assets	2.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Total Other Assets	22.1	28.2	29.0	29.7	30.5	31.3	32.0	32.8	33.6	34.4
TOTAL ASSETS	65.1	118.6	236.2	255.9	291.7	353.1	424.9	505.1	593.5	689.9
Liabilities & Shareholder's Equity										
Accounts Payable	17.3	24.4	47.6	64.4	71.4	81.0	90.8	99.3	106.6	113.0
Notes Payable	4.5	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7
Other	4.9	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Total Current Liabilities	26.8	57.6	80.7	97.6	104.6	114.2	124.0	132.5	139.8	146.2
Long Term Debt	0.0	0.0	15.0	8.2	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	26.9	57.6	95.7	105.8	104.6	114.2	124.0	132.5	139.8	146.2
Common Stock Net	113.0	157.8	157.8	157.8	157.8	157.8	157.8	157.8	157.8	157.8
Additional Paid in Capital	1.1	3.6	105.2	105.2	105.2	105.2	105.2	105.2	105.2	105.2
Shareholders Equity	(75.9)	(100.4)	(122.5)	(112.9)	(75.8)	(24.1)	37.9	109.7	190.8	280.7
Total Stockholder's Equity	38.2	61.0	140.5	150.1	187.1	238.9	300.9	372.6	453.7	543.7
TOTAL LIABILITIES & STOCKHOLDERS' EQU	65.1	118.6	236.2	255.9	291.7	353.1	424.9	505.1	593.5	689.9

Source: Collins Stewart LLC and company reports

APPENDIX

COMPANY DESCRIPTION

SGNT is a specialty pharmaceutical company focused on the development and commercialization of generic injectable drugs (anti-infectives, oncologytics and critical care). The company was incorporated in Schaumburg, 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. It has filed over 130 ANDAs to date. As of September 2011, SGNT markets 30 products and has 59 ANDAs covering 32 drugs filed with the FDA. We would expect the majority of these to be approved in 2012 and 2013.

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.

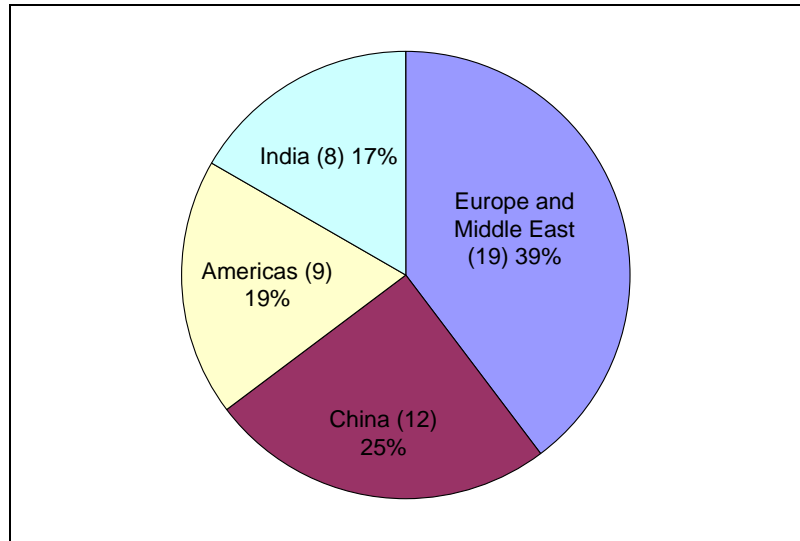
BUSINESS MODEL AND PARTNERSHIP NETWORK

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 3 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: Company Reports and Collins Stewart LLC

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: Company Reports and Collins Stewart LLC

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 fluconazole 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: Company Reports and Collins Stewart LLC

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 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 8 to 10 being those on the FDA's critical shortage list. The company filed its first ANDA from this facility in September of 2011 and plans on filing two more by the end of 2011/early 2012. SGNT hopes the need for these critical shortage products in the market will expedite its FDA inspection (possibly as early as 2012).

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 1Q12.

Figure 6. SGNT's Joint Ventures

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: Company Reports and Collins Stewart LLC

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.

Figure 7. SGNT's Portfolio as of September 2011

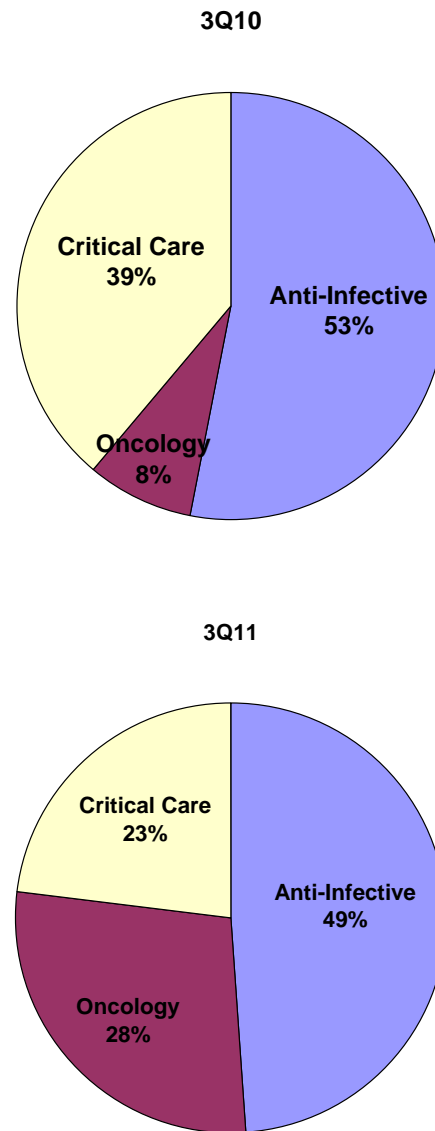
SGNT Products	Brand	Launch Date	Annual Sale MMs of \$ (MAT 9/11)	Market Share (as of 9/11)
Adenosine	Adenocard	December 2007	\$4.7	27.9%
Ampicillin	Omnipen-N	July 2010	1.7	4.6%
Ampicillin/Sulbactam	Unasyn	September 2010	1.9	5.4%
Azithromycin	Zithromaxin	May 2009	4.9	21.0%
Bacitracin	Bacitracin	October 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%
Pipercillin/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: Company Reports, IMS and Collins Stewart LLC

(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 diversify its product offering.

Figure 8. Product Offering by Therapeutic Area



Source: SGNT 3Q11 earnings call

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 into the heparin market remains high since crude/raw material is difficult to obtain.

Topotecan (Hycamin) – 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 5 generics on the market including SGNT.

NEW PRODUCT OPPORTUNITIES

We believe that many potential earnings upsides 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. The Figure below highlights key product launches as well as disclosed pipeline opportunities (both PIII and PIV).

Figure 9. Disclosed Key New Product Launches and Pipeline Opportunities

(in MM of \$US)		
Year	US Market Size	Comments
2010		
Heparin	\$306.0	Launched 7/1/10 or 3Q10
2011		
Topotecan	158.0	12/2/10 launched
Sumatriptan Succinate	22.0	Approved 8/2/10, launched 2/2011
Zosyn	749.0	Approved 5/24/11, launched 7/2011
Gemcitabine	711.0	Launched 7/25/11
Levofloxacin	156.0	Launched 7/7/11
Paclitaxel	46.0	FDA drug shortage list, launched 9/27/11
Vecuronium Bromide	10.0	Launched 8/18/11, short supply in the US
Polymyxin B	9.8	Launched 3Q11
Orphenadrine Citrate	4.3	Launched 4Q11
2012		
Haloperidol	12.5	Approved and pending launch
Midazolam	52.0	Approved 12/2/10, pending launch, Strides JV
Rocuronium Bromide	59.0	Approved 8/2/10, pending launch, Strides JV
Clindamycin	65.0	Approved 9/30/11, launch expected early 2012, Strides JV
Bupivacaine HCl	29.0	Approved 10/20/11, launch expected 1H12, Strides JV
Amiodarone	9.4	Return to market with plastic syringe??
2013+		
Adenosine	124.0	Tentative approval, \$124MM market, launch per settlement 1Q13

Source: Collins Stewart LLC

#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 two types of pipeline opportunities, (1) Limited competition drugs, And (2) 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 that 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. We outline our findings in the Figure below.

Figure 10. 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
Ganciclovir	Testosteron Cyp
Gentamicin	Tetanus Tox
Glycopyrrolate	Thiamine
Hydralazine	Thiotepa
Hydromorphone	Tobramycin
Hydroxyzine	Vancomycin
Idarubicin	Vasopressin
Ifosfamide	Vitamin K

Source: IMS and Collins Stewart LLC

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 8 to 10 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 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.

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 – 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.

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 are up to the FDA's standard. 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

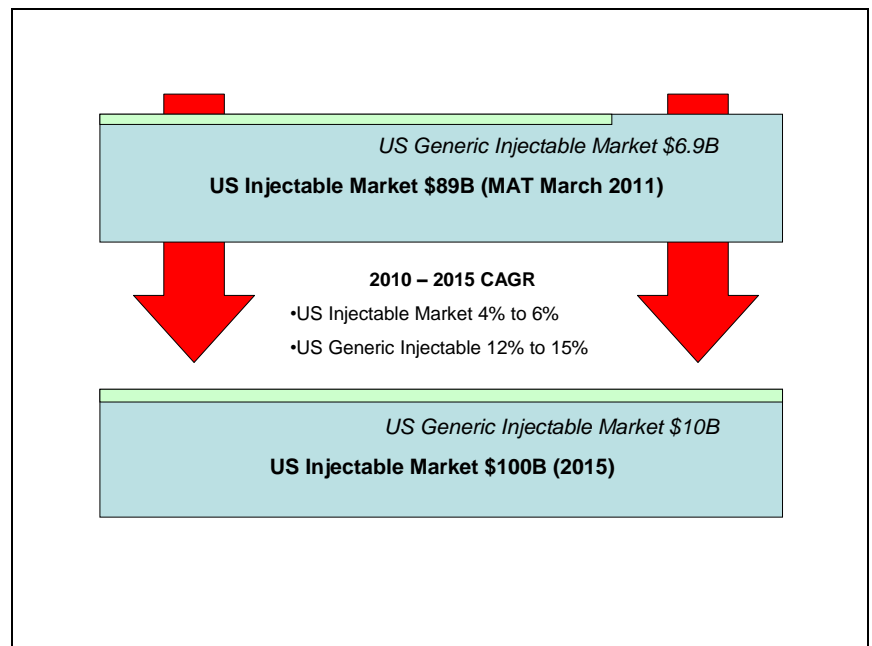
SGNT's target market is highly concentrated to key institutions including hospitals, clinics and treatment facilities. Most of these customers have relationships with group purchasing organizations (GPOs) which provide broad ranges of products from various suppliers at competitive prices. These GPOs 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 INJECTABLE 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 11. US Injectable Market Growth Projections (2010 to 2015E)



Source: IMS

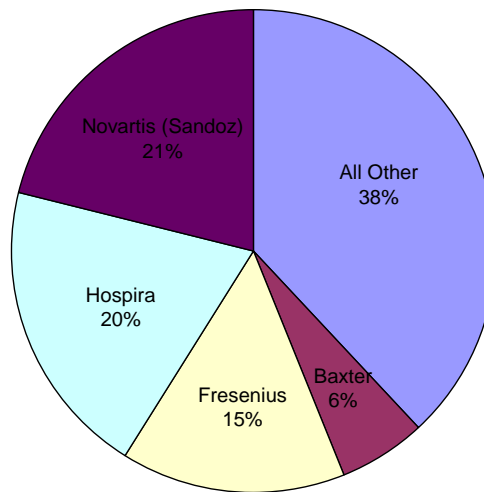
COMPETITIVE LANDSCAPE

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 12. US Injectable Generic Market Share by Company

Generic Injectable Drug Market By Company
Sale \$6.9B



Source: IMS

INJECTABLE 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 13. 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

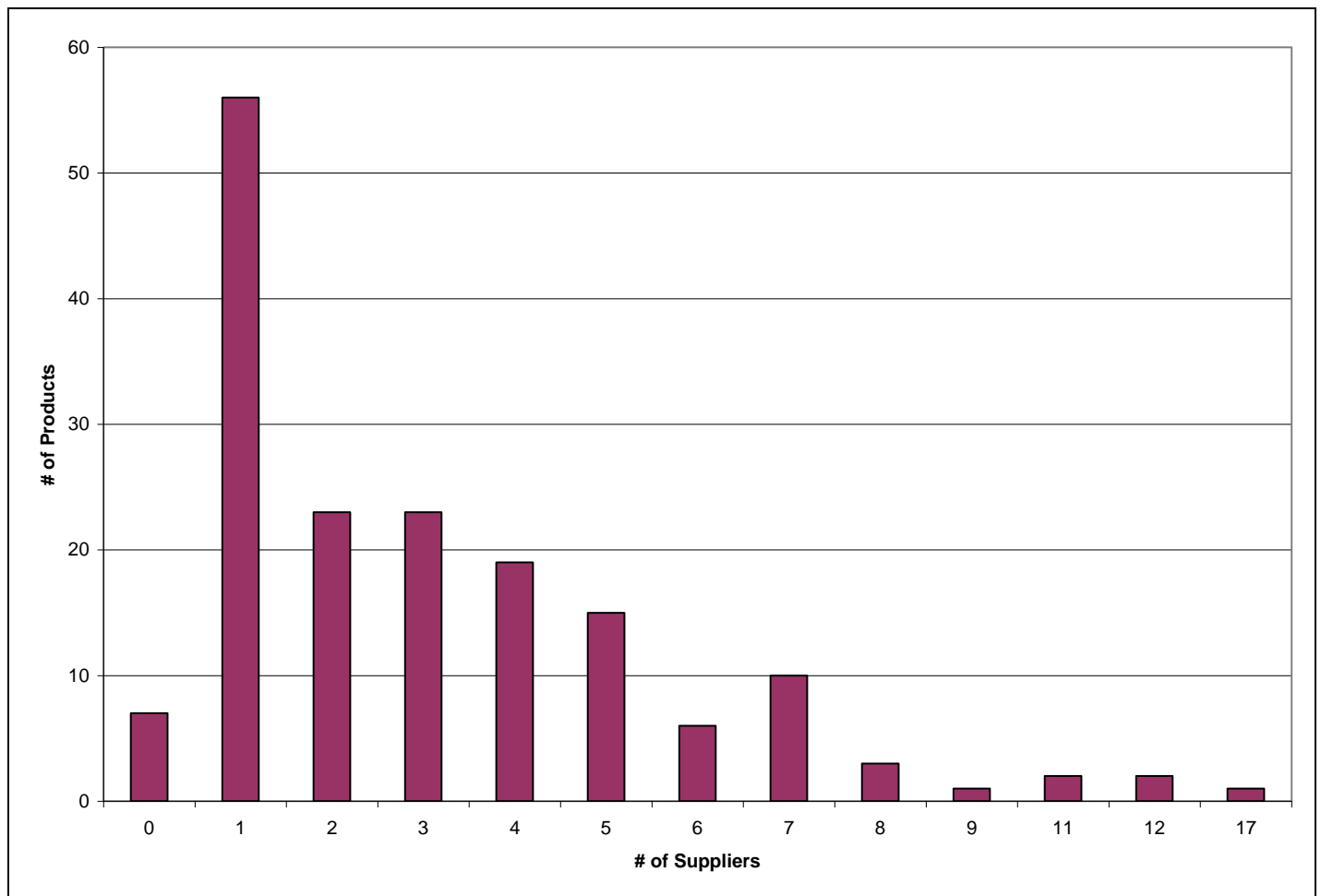
Source: FDA.gov, IMS and Collins Stewart LLC

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.

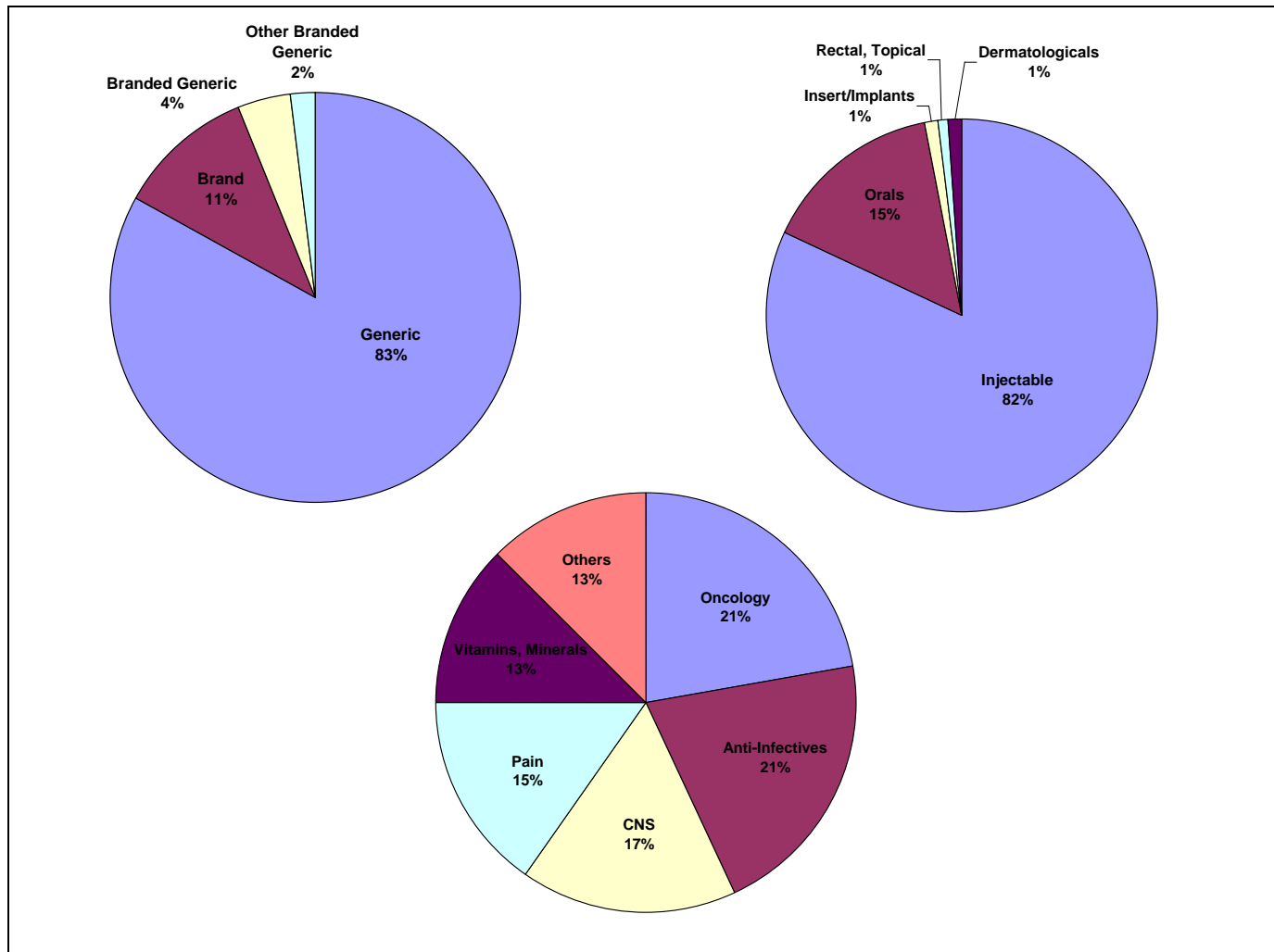
Figure 14. Number of Products by Supplier Count as of August 2011



Source: IMS

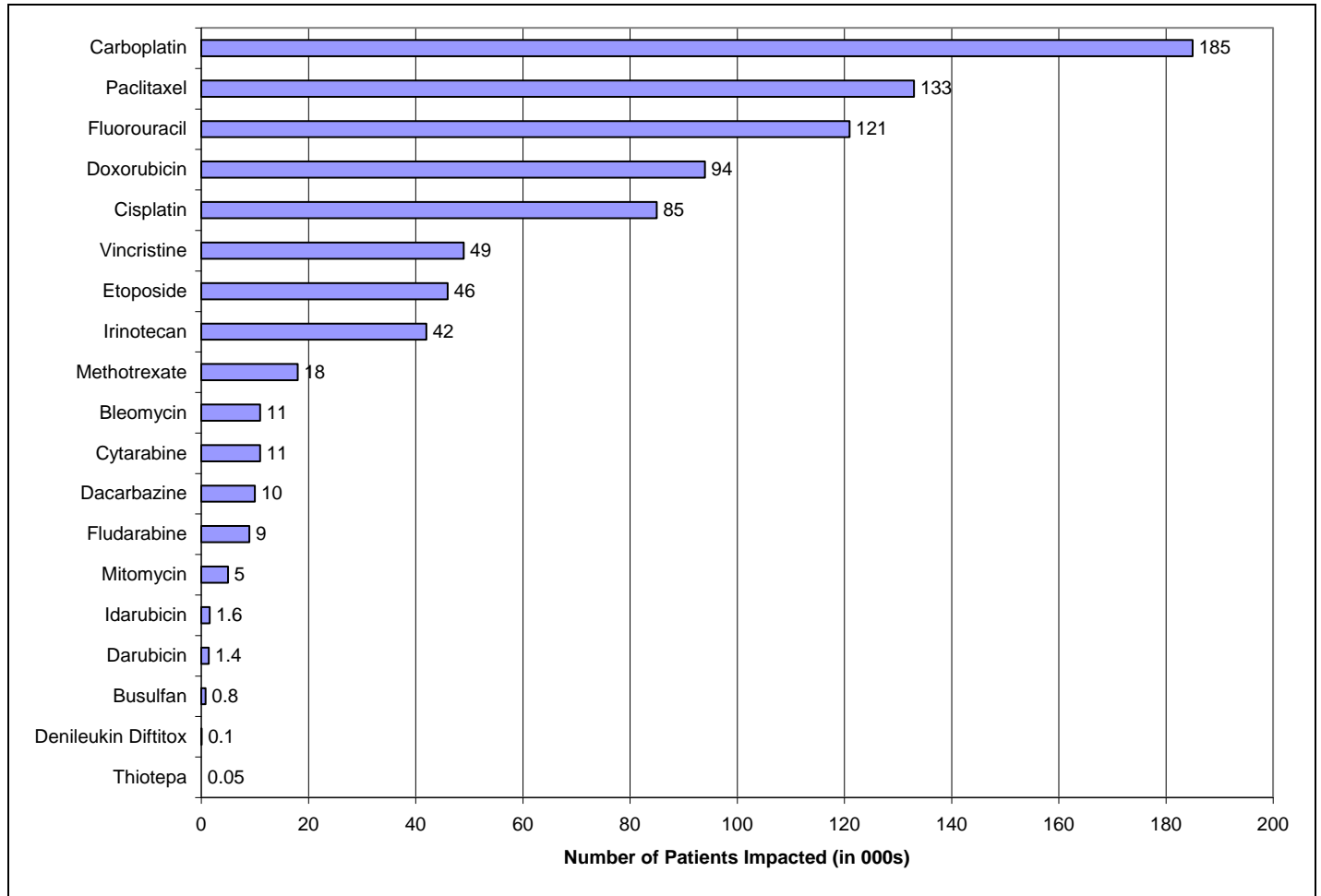
#2. Drug shortage is concentrated in drugs which are used in the acute setting – According to IMS, the majority of the drugs on the shortage list are generic injectable drugs which include, oncolytics, anti-infectives, CV drugs, CNS drugs and pain drugs. Oncolytics are most impacted by drug shortages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

Figure 15. Characteristics of Drugs on FDA's Critical Shortage List



Source: IMS

Figure 16. Patients Treated by Oncology Products (MAT June 2011)



Source: IMS

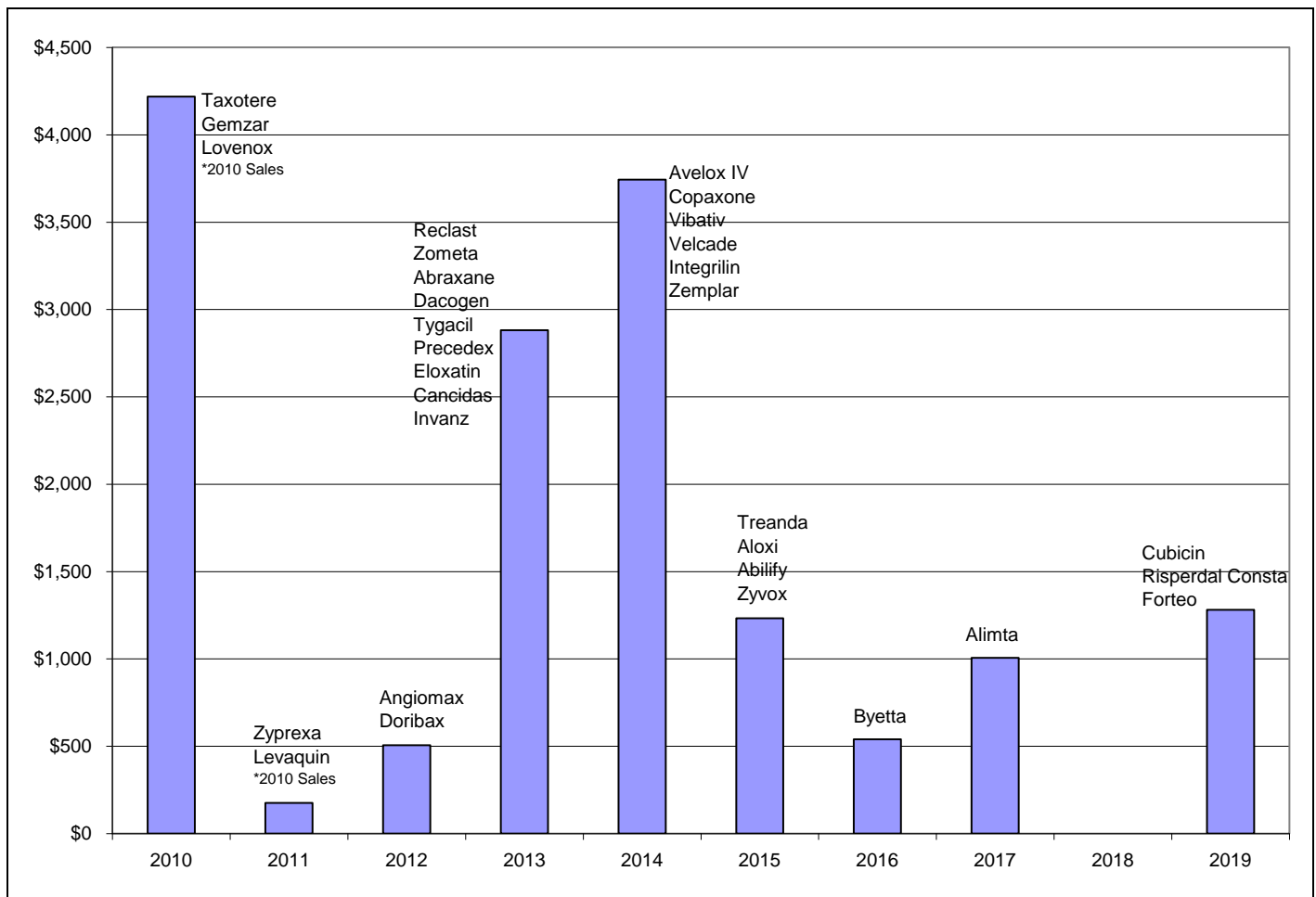
According to the ASHP, there are three key reasons for drug shortages.

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 INJECTABLE 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 17. Graph of Small Molecule Injectable Drug Patent Expiries



Source: Company Reports, IMS and Collins Stewart LLC

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 18. Transactions in Generic Injectables

Date	Company	Acquisition Target	Enterprise Value (in MM\$)	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: Company Reports and Collins Stewart LLC

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 ERSO 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).

Albert Patterson, R.Ph.

SVP of Operations

Albert Patterson has served as the SVP of Operations since June 2010. Prior to joining SGNT, Mr. Patterson served as the CEO of The Bert Patterson Group, a healthcare consulting company focused on the generic pharmaceutical industry. Mr. Patterson has held multiple positions in the industry including: President and CEO of Excel Rx GSO, VP of Pharmacy, VP of the Contract Center of Excellence, VP of Alternate Site Healthcare, Business Development of Premier, Director of Hospital Pharmacy; as well as Director of the Office of Drug Product Management and Internal Pharmacy Benefit Manager of the U.S. Department of Veterans Affairs. Mr. Patterson was a member of the Board of Directors of the Ronald McDonald House near Loyola University Medical Center. He has also served in faculty

positions at Illinois, Wisconsin and Purdue Colleges of Pharmacy and was a member of the Dean's committee at Midwestern University, Chicago College of Pharmacy. Mr. Patterson received a Bachelor's in Science for Pharmacy from the University of Illinois College of Pharmacy.

Michael Logerfo

Corporate Vice President, Chief Legal Officer

Michael Logerfo has served as Corporate VP and Chief Legal Officer for SGNT. In the past, Mr. Logerfo served as COO of SGNT's KSP joint venture. Mr. Logerfo has also been President and CEO of Flavine Holding Co, a partner with the law firm Phillips Nizer, and a member of the firm Ferro Labella Logerfo & Zucker, PC. He is certified to practice law in New Jersey and New York. Mr. Logerfo received a Bachelor's Degree in Government and a Juris Doctor from Georgetown University.

Lorin Drake

VP, Sales and Marketing

Lorin Drake has held the position of VP, Sales and Marketing since May 2006. Prior to joining SGNT, Mr. Drake was the Senior Director of Sales and VP of Sales at American Pharmaceutical Partners (APP). Mr. Drake has held various sales related positions at Fujisawa USA and Lyphomed. Mr. Drake received a Bachelor's of Science in Economics from Manchester College.

Dave Hebeda

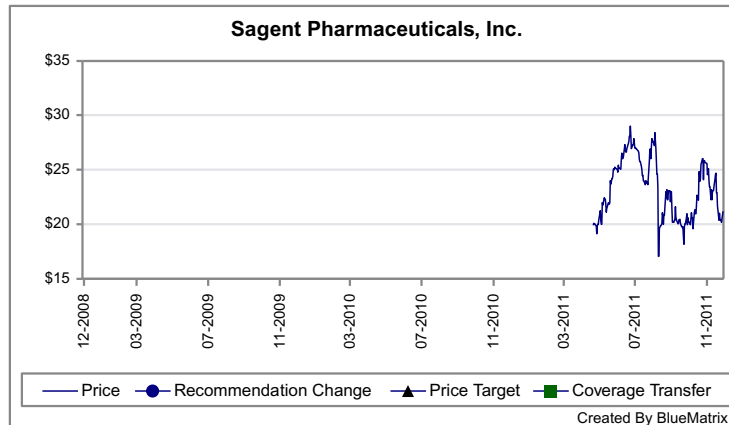
VP of Finance

Dave Hebeda has held the position of VP of Finance since July 2010. Prior to SGNT, Mr. Hebeda served as VP and Assistant of Corporate Controller for American Pharmaceutical Partners (APP). Mr. Hebeda has also been Corporate Controller of GVW Holdings, Corporate Controller of Hedstrom Corporation, Assistant Controller at Tenneco Packaging's Hexacomb Division, Financial Reporting Manager at International Jenson Inc. and Senior Accountant with Deloitte & Touche. Mr. Hebeda is a Certified Public Accountant (CPA) and received a Bachelor's in Science for Accounting from Eastern Illinois University. He has a Masters in Business Administration from Northwestern University's Kellogg School of Management.

Important Disclosure / Disclaimer Information

Other Public Companies Mentioned in this Report

Company	Ticker	Price	Recommendation
Sagent Pharmaceuticals, Inc.	SGNT	\$21.12	BUY



Ticker	Date	Action	Prior Rating	Current Rating	Price	Target Price
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Collins Stewart LLC Ratings

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The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, enterprise value, book value, peer group comparisons, and the sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text herein or in our most recent full research report on the subject company.

BUY: Improving fundamentals and/or identifiable catalysts in place expected to cause stock to outperform its industry

NEUTRAL: Company's fundamental backdrop suggest stock should perform in line with industry

SELL: Deteriorating fundamentals and/or identifiable catalysts in place expected to cause stock to underperform its industry

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	% of CSTI Universe with this rating	% of rating tier for which CSTI provided IB services
Buy	53%	0%
Hold	43%	0%
Sell	4%	0%

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