

Sagent Pharmaceuticals

Clindamycin Will Launch Into a Limited Competition Market - ALERT

Sagent announced approval of its clindamycin injection, which will launch into a \$68 million, limited competition market, continuing its new product roll-out cycle. While we believe the launch could provide further top line expansion for Sagent beginning in 4Q/11, we continue to see a fairly balanced risk/reward in SGNT shares at current levels and maintain our Neutral rating.

- **Clindamycin is a relatively large market with limited competition.** Clindamycin injection, an antibiotic used in acute care settings, is a \$68 million annual market dominated by Pfizer (80% dollar share, innovator) with additional competition from Hospira (17% dollar share) and Apotex (4% dollar share).
- **Small share could still prove beneficial to the top line.** Given the size of the clindamycin injection market and the small number of players involved, we believe Sagent could pick up meaningful share in the market over a relatively short period of time. Each 10% share of the market could represent close to \$5 million in annual revenue and is within our current product launch estimates for the company.
- **Next catalyst event: 3Q/11 earnings.** The next non-approval related catalyst event for Sagent should be 3Q/11 earnings in early November. In addition to an update on the company's efforts to expand margins, we expect a product launch update for several of the company's recent launches including Taxol, Gemzar and Zosyn.

Neutral

SGNT, SGNT US

Price: \$20.24

30 September 2011

Generic Pharmaceuticals

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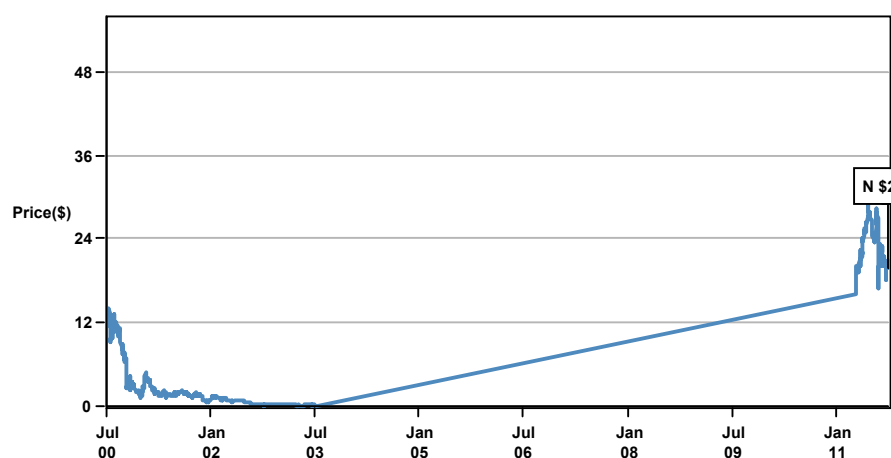
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Sagent Pharmaceuticals (SGNT) Price Chart



Date	Rating	Share Price (\$)	Price Target (\$)
28-Sep-11	N	19.92	25.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Sep 28, 2011.

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

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