

SciClone

Ticker:
SCLN

Current Price:
\$4.13 (intra-day)

Recommendation:
BUY

Price Target: \$6

Time Frame:
12 Months

Jason Kolbert
(212) 417-8287
jkolbert@nationalsecurities.com

LAST	\$4.13
ANNHIGH	\$5.33
ANNLOW	\$1.21
Shares O/S-Diluted (model)	46,451
Market Capitalization (mln)	\$192
100-Day Average Daily Volume	400
Short Interest	4%
Debt/Total Cap	0%
Net Cash/Share \$	0.75
P/E (12-month forward)	11.3



Investment Thesis

SciClone announced the European approval of Ondansetron RapidFilm™ by BioAlliance for the 16 EU countries. Recall that SciClone acquired the commercialization and distribution rights for ondansetron for China, Vietnam, Hong Kong, and Macau and believes that these approvals in Europe will support the efforts to secure regulatory approval in these countries in 2011. Several catalysts will continue to unfold for SciClone over the next 12 months. We remain upbeat and positive on the outlook of the company.

Highlights

Ondansetron RapidFilm™ is a rapidly dissolving thin-film formulation of a successful drug that has been widely used to treat the common side effects of nausea and vomiting, following surgery, chemotherapy, and radiotherapy. As a film it is very desirable. With today's news of the European approval of Ondansetron RapidFilm™ the time line for Ondansetron now looks achievable.

SciClone has rights for the next ten years to Ondansetron. The deal terms included an initial license fee of \$1 million with milestones. The market for all the 5-HT3 receptor agonists in China is north of \$100 million last year. We have included Ondansetron in our income statement with associated expenses and milestones. The result is in our FCF model to suggest fair value of \$8 from \$6. Our price target remains at \$6 as we triangulate it with our sum of the parts and 2011 eps model. This is for the sake of conservatism.

Clinical Updates: 1. DC BEAD: Trial is underway, target enrollment is for N=40 patients, a modest trial designed to bridge the data package. 2. Ondansetron: (Nausea), SciClone will do a bio-equivalence study in addition to the existing regulatory package. SciClone is guiding for a 2011 approval. 3. SCV-07: (Mucositis), the trial is essentially completed. A 30 day follow-up period commences with top line results expected in 1H-2010 (see next bullet). 4. Zadaxin's progress as an adjuvant for flu continues to move forward. 5. SCV-07 in HCV also moving forward. Interest in Interferon alternatives is rising. The next major event for SciClone shares will be the top line results from the mucositis trial.

DC-Bead in China: DC Bead is an embolic agent which essentially blocks (chokes off) the supply of nutrients to a tumor. It is also capable of being filled with a chemotherapeutic agent enabling direct delivery of its payload at the local tumor site. It is an approved therapy in Europe and is becoming established as a viable treatment option in serious cancers. In China the company is required to run a small Phase III trial (underway) to validate prior clinical data previously submitted as part of the approval application. Liver cancer is one of the most prevalent and deadly forms of cancer in China, accounting for over 300,000 deaths each year. We forecast that DC Bead could reach the market in 2011 and are modeling \$12 mln in sales by 2012

Fundamental Research:
Biotechnology
March 25, 2010

SCV-07 – Oral Mucositis (Head & Neck) & Hepatitis C : Data is coming....

Currently in SCV-07 (gamma-D-glutamyl-L-tryptophan) is a small molecule synthetic peptide. It has been demonstrated to stimulate the immune system, probably through a TLR pathway. It has recently been approved in Russia (sponsoring company: Verta Institute of St. Petersburg) for the treatment of secondary immune deficiency resulting from surgery and infectious disease process. SciClone is developing SCV-07 for both Hepatitis C and Mucositis. In Hepatitis C a small proof of concept study successfully demonstrated that the compound is active. A larger proof of concept study (8 week trial in HCV patients) has now started, and the first patients have been enrolled. In Mucositis, SCV-07 is now being evaluated in a U.S. based Phase II trial led by Dr Stephen T. Sonis (DMD, DMSc, Brigham and Women's Hospital, Boston, MA.). We do not yet include any revenues in our model for either indication, but we are hopeful to see SCV-07 progress with proof of concept data in mid- 2010 from both studies.

Exhibit 1. Catalyst Table

Product	Indication	Event	Timing	Significance
ZADAXIN®	Hepatitis C	Phase III Topline Data for HCV in EU	4Q08	completed
ZADAXIN®	Metastatic Melanoma	Partnership or Outlicense in Metastatic Melanoma	1H-2010	+
ZADAXIN®	Metastatic Melanoma	Start of phase III Study in N=1000 patients, SPA, Mortality endpoint	1H-2010	+
DC Bead™	HCC	Obtain Approval and launch in China	2H-2010	+
SCV-07	Hepatitis C	Complete enrollment for oral mucositis trial	YE 2009	+
SCV-07	Hepatitis C	POC data in HCV, genotype I failures	2H-2010	+
SCV-07	Mucositis	Proof of Concept Data from P11/IIIB	1H-2010	++
Ondansetron	Nausea	Phase III EU trial	1H-2010	completed
Ondansetron	Nausea	Approval in EU member countries	1H-2010	completed
Ondansetron	Nausea	File in China	2H-2010	+
China	In license Product	TBD	2010	+

Stock Significance Scale: + of moderate importance; ++ higher level; +++ highly

Source: National Securities Forecasts and Company reports.

Valuation: We have updated our income statement to include Ondansetron. The result is our DCF (FCFF) valuation metric) climbs to \$8. We triangulate this with our discounted eps model (2011) and our sum of the parts model which provides an average of \$6 per share target, Our model includes the key assumption that Zadaxin continue to grow in China. We are also including DC Bead sales in our model in China. Beyond DC Bead and Ondansetron we assume no other pipeline value (in our FCFF or EPS Discounted model). We do expect results for SCV-07 proof of concept data in HCV and Mucositis this quarter and that could be a significant event if the data are positive.

Average	\$	6
Price Target	\$	8
Year		2009

DCF Valuation Using FCFF (min):

	2009	2010	2011	2012	2013	2014	2015
units (millions - \$)	2009E	2010E	2011E	2012E	2013E	2014E	2015E
EBIT	12,595	18,143	26,069	38,092	56,957	77,352	97,567
Tax Rate	0%	0%	15%	22%	25%	31%	36%
EBIT(1-t)	12,595	18,143	22,159	29,712	42,717	53,373	62,443
CapEx	(261)	(266)	(272)	(277)	(283)	(288)	(294)
Depreciation	537	591	614	639	664	691	719
Change in NWC	3,914	(1,804)	(9,031)	-	-	-	-
FCFF	8,957	20,271	31,533	30,074	43,099	53,776	62,867
PV of FCFF	8,957	17,627	23,843	19,774	24,642	26,736	27,179
Discount Rate	15%						
Long Term Growth Rate	2%						
Terminal Cash Flow	493,267						
Terminal Value YE2009	213,253						
NPV	362,012						
NPV-Debt	907						
Shares out (thousands) 2Q-09E	46,266						
NPV Per Share	\$ 8						

Source: National Securities estimates

Fundamental Research:
Biotechnology
March 25, 2010

Valuation: (continued);

Current Year	2009
Year of EPS	2011
Earnings Multiple	15
Discount Factor	20%
Selected Year EPS	\$ 0.48
NPV	\$ 5.00

Source: National Securities estimates

		Discount Rate and Earnings Multiple Varies, Year is Constant						
		2011 EPS						
		5.0	20%	25%	30%	35%	40%	45%
Earnings Multiple	10	\$3.33	\$3.07	\$2.84	\$2.63	\$2.45	\$ 2.28	
	15	\$5.00	\$4.60	\$4.26	\$3.95	\$3.67	\$ 3.42	
	20	\$6.66	\$6.14	\$5.67	\$5.26	\$4.89	\$ 4.56	
	25	\$8.33	\$7.67	\$7.09	\$6.58	\$6.12	\$ 5.70	
	30	\$9.99	\$9.21	\$8.51	\$7.89	\$7.34	\$ 6.84	
	35	\$11.66	\$10.74	\$9.93	\$9.21	\$8.56	\$ 7.98	
	40	\$13.32	\$12.28	\$11.35	\$10.52	\$9.79	\$ 9.12	
	45	\$14.99	\$13.81	\$12.77	\$11.84	\$11.01	\$ 10.26	

SCLN-Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	Term Val
ZADAXIN - China & Curr Indications	3%	25%	0	100%	\$97	\$441
NPV						\$2.86
ZADAXIN - MM, US Royalty Rate 15%	3%	50%	5	25%	\$100	\$213
NPV						\$0.05
SCV-07 Mucositis	3%	20%	6	25%	\$200	\$1,176
NPV						\$0.64
SCV-07 HCV	3%	20%	6	25%	\$200	\$1,176
NPV						\$0.64
DC Bead - China	2%	50%	1	85%	\$27	\$57
NPV						\$0.21
OnDasetron	5%	20%	2	90%	\$20	\$133
NPV						\$0.54
Royalty Products					Peak Royalty/ Milestones (MM's)	
Zadaxin Collaboration Milestone	3%	50%	4	25%	\$100	\$213
NPV						\$0.07
Net Margin						30%
MM Shrs OS						46
Total						\$5
Net Cash/Shr						\$0.47
Grand Total						\$5.5

Source: National Securities estimates

Risks to Price Target: The company risks fall into several categories around product development (clinical risks), commercial development and the competitive landscape, and financial risk around the company's balance sheet. Specifically, we see the key risks near-term around Zadaxin. The company may be unable to find a partner to develop Zadaxin (thymalfsin) for Multiple Myeloma. Zadaxin sales remain at risk for generic erosion which could occur at a more significant level. SCV-07 may fail to demonstrate proof of concept in the current Mucositis and Hepatitis C Studies.

Fundamental Research:
Biotechnology
March 25, 2010

SciClone Pharmaceuticals, Inc. Income Statement (\$ '000)

SCLN: YE Dec. 31	2007A	2008A	2009A	1Q10E	2Q10E	3Q10E	4Q10E	2010E	2011E	2012E	2013E	2014E	2015E
Revenue (000's)													
ZADAXIN (Mainly China) - Hep B & Prophylaxis	37,038	54,108	72,411	19,000	20,000	21,000	23,000	83,000	87,150	91,508	93,338	95,204	97,108
% Chg		46%	34%	5%	5%	5%	10%	15%	5%	5%	2%	2%	2%
Contract Revenues	20	-	-	-	-	-	-	-	-	-	-	-	-
DC Bead China (Embolis Therapy-Oncology)		-	-	-	-	-	-	-	5,580	11,160	16,740	21,762	27,203
% Chg		-	-	-	-	-	-	-	-	100%	50%	30%	25%
SCV07 (Mucositis & HCV)		-	-	-	-	-	-	-	-	-	-	-	-
% Chg		-	-	-	-	-	-	-	-	-	-	-	-
RP-101 (Pancreatic Cancer) - Chemosensitizer		-	-	-	-	-	-	-	-	-	-	-	-
% Chg		-	-	-	-	-	-	-	-	-	-	-	-
Ondansetron™		-	-	-	-	-	-	-	2,000	10,263	16,697	25,934	32,724
% Chg		-	-	-	-	-	-	-	-	413%	63%	55%	26%
Total Product Sales	37,058	54,108	72,411	19,000	20,000	21,000	23,000	83,000	94,730	112,931	126,775	142,901	157,035
% Chg		46%	34%	26%	-9%	22%	27%	15%	14%	19%	12%	13%	10%
Zadaxin MM Royalty - 15%	-	-	-	-	-	-	-	-	-	-	-	-	-
Collaborative revenue - partnerships - Zadaxin	-	5	-	-	-	-	-	-	-	-	10,000	10,000	10,000
Total Revenues	37,058	54,113	72,411	19,000	20,000	21,000	23,000	83,000	94,730	112,931	136,775	162,945	188,352
% Chg		46%	34%	26%	-9%	22%	27%	15%	14%	19%	21%	19%	16%
Expenses													
COGS	6,735	9,827	11,585	3,800	4,000	4,200	4,600	16,600	18,946	22,586	25,355	28,580	31,407
COGS % Sales	18%	18%	16%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
R&D	17,446	23,537	16,979	3,810	3,900	4,300	4,400	16,410	17,231	18,092	18,997	19,946	20,944
R&D % Rev's	47%	43%	23%	0	0	0	19%	20%	18%	16%	14%	12%	11%
SG&A	24,173	29,183	31,223	7,962	7,962	7,962	7,962	31,847	32,484	33,134	33,797	34,473	35,162
SG&A % Rev's	65%	54%	43%	42%	40%	38%	35%	38%	34%	29%	25%	21%	19%
Other	-	-	29	-	-	-	-	-	-	-	-	-	-
Stk Optn's	2,243	1,843	1,875	357	520	429	429	1,735	1,822	1,895	1,970	2,049	2,131
Non-GAAP, Adj.	2,243	1,843	1,875	357	520	429	429	1,735	1,822	1,895	1,970	2,049	2,131
Total expenses	48,354	62,547	59,816	15,572	15,862	16,462	16,962	64,857	68,661	74,839	79,818	85,593	90,785
Oper. Inc. (Loss)	(11,296)	(8,434)	12,595	3,428	4,138	4,538	6,038	18,143	26,069	38,092	56,957	77,352	97,567
Oper Margin	NM	NM	17%	18%	21%	22%	26%	22%	28%	34%	42%	47%	52%
Int. Inc.	1,629	608	153	100	76	87	86	349	390	490	620	844	1,122
Int Exp.	(20)	(31)	(179)	(6)	(6)	(6)	(6)	(23)	(46)	(45)	(44)	(42)	(41)
Other	40	(16)	45	-	-	-	-	-	-	-	-	-	-
Total Net	1,649	561	18	94	70	81	80	326	345	446	577	802	1,081
Pre-tax income	(9,647)	(7,873)	12,587	3,522	4,208	4,619	6,118	18,468	26,414	38,538	57,533	78,154	98,648
Pretax Margin	NM	NM	17%	19%	21%	22%	27%	22%	28%	34%	42%	48%	52%
Disct'd ops	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain Sale Disct'd Ops	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes Provision (China)	301	475	641	160	160	160	160	640	768	998	1,298	1,687	2,193
Taxes Provision	-	-	-	-	-	-	-	-	3,962	8,478	14,383	24,228	35,513
Tax Rate	-	-	-	-	-	-	-	-	15%	22%	25%	31%	36%
Prefr'd dividend	-	-	-	-	-	-	-	-	-	-	-	-	-
Prefr'd div Acct'n	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP NI	(9,948)	(8,348)	11,946	3,362	4,048	4,459	5,958	17,828	21,684	29,061	41,852	52,239	60,941
Net Margin	NM	NM	16%	18%	20%	21%	26%	21%	23%	26%	31%	32%	32%
GAAP-EPS	(0.22)	(0.18)	0.25	0.07	0.08	0.09	0.12	0.36	0.44	0.59	0.84	1.05	1.22
Non GAAP EPS (dil)	(0.16)	(0.14)	0.29	0.08	0.09	0.10	0.13	0.40	0.48	0.63	0.88	1.09	1.26
Wgtd Avg Shrs (Bas) - '000s	46,100	46,212	46,328	47,680	48,157	48,398	48,640	48,449	48,796	49,087	49,383	49,679	49,978
Wgtd Avg Shrs (Dil) - '000s	46,100	46,212	47,404	49,015	49,505	48,413	48,655	48,464	48,811	49,102	49,398	49,694	49,993

Source: Company reports and National Securities

Fundamental Research:

Biotechnology

March 25, 2010

REG AC ANALYST CERTIFICATION

The research analyst named on this report, Jason Kolbert, certifies the following: (1) that all of the views expressed in this research report accurately reflect his personal views about any and all of the subject securities or issuers; and (2) that no part of his compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by him in this research report.

IMPORTANT DISCLOSURES

This publication does not constitute and should not be construed as an offer or the solicitation of any transaction to buy or sell any securities or any instruments or any derivatives of the securities mentioned herein, or to participate in any particular trading strategies. Although the information contained herein has been obtained from recognized services, and sources believed to be reliable, its accuracy or completeness cannot be guaranteed. Opinions, estimates or projections expressed in this report may make assumptions regarding economic, industry, company and political considerations, and constitute current opinions, at the time of issuance, which are subject to change without notice.

This report is being furnished for informational purposes only, and on the condition that it will not form a primary basis for any investment decision. Any recommendation(s) contained in this report is/are not intended to be, nor should it / they construed or inferred to be, investment advice, as such investments may not be suitable for all investors. When preparing this report, no consideration to one's investment objectives, risk tolerance and other individual factors was given; as such, as with all investments, purchase or sale of any securities mentioned herein may not be suitable for all investors. By virtue of this publication, neither the Firm nor any of its employees shall be responsible for any investment decisions. Before committing funds to ANY investment, an investor should seek professional advice. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice, or to be used by anyone to provide tax advice. Investors are urged to consult an independent tax professional for advice concerning their particular circumstances. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, either expressed or implied, is made regarding future performance.

National Securities Corporation (NSC) and its affiliated companies, shareholders, officers, directors and / or employees (including persons involved with the preparation or issuance of this report) may, from time to time, have long or short positions in, and buy or sell the securities or derivatives (including options) thereof, of the companies mentioned herein. One or more directors, officers, and / or employees of NSC and its affiliated companies, or independent contractors affiliated with NSC may be a director of the issuer of the securities mentioned herein. NSC and / or its affiliated companies may have managed or co-managed a public offering of, or acted as initial purchaser or placement agent for a private placement of any of the securities of any issuer mentioned in this report within the last three (3) years, or may, from time to time, perform investment banking or other services for, or solicit investment banking business from any company mentioned in this report.

This research may be distributed by affiliated entities of National Securities Corporation (NSC). Affiliated entities of NSC may include, but are not limited to, vFinance Investments, Inc., Equity Station, National Asset Management and other subsidiaries of our parent company, National Holdings Corporation.

The securities mentioned in this document may not be eligible for sale in some states or countries, nor be suitable for all types of investors; their value and the income they produce if any, may fluctuate and/or be adversely affected by exchange rates, interest rates or other factors. Furthermore, NSC may follow emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. This report does not take into account the particular investment objectives, financial situation or needs of individual investors. Before acting on any advice or recommendation in this material, the investor should exercise independent judgment as to whether it is suitable in light of his/her particular circumstances and, if necessary, seek professional advice. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.

Additional information relative to securities, other financial products, or issuers discussed in this report is available upon request. Neither this entire report, nor any part thereof, may be reproduced, copied or duplicated in any form or by any means without the prior written consent of National Securities Corporation. All rights reserved. NSC is a member of both the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC).

For disclosures inquiries, please call us at 1-800-417-8000 and ask for your NSC representative, or write us at National Securities Corporation, Attn. Rhonda Jungquist - Compliance Department, 1001 Fourth Avenue, 22nd Floor, Seattle, WA 98154, or visit our website at www.nationalsecurities.com.

Research "Possible" Disclosures Legend	
	Relevant Disclosures - None
1	National Securities (NSC) is a market maker in the securities of the subject company
2	In the past twelve (12) month period, NSC and / or its affiliates have received compensation for investment banking for services from the subject company
3	In the past twelve (12) month period, NSC and / or its affiliates have received compensation from the subject company for services other than those related to investment banking.
4	In the past twelve (12) month period, NSC was a manager or co-manager of a public offering of one or more of the securities of the issuer.
5	In the past twelve (12) month period, NSC was a member of the selling group of a public offering of the security (ies) of the issuer.
6	One or more directors, officers, and / or employees of NSC and / or its affiliated companies is / are a director (S) of the issuer of the security which is the subject of this report.
7	NSC and / or its affiliates expects to receive or intends to seek compensation for investment banking services from the subject company at some point durring the next three (3) months.
8	A research analyst or a member of his / her household has a financial interest in the securities if the subject company as follows a) long common stock; b) short common stock;c)long calls; d) short calls; e) long puts f) short puts; g) long rights; h)short rights; i)long warrants; j) short warrants; k)long futures; l)short futures m)long preferred stock; n) short preferred stock.
9	As of the end of the month immediately preceeding the date of publication of this report, or the end of the prior month if the publication is within ten (10) days following the end of the month, NSC and / or its affiliates beneficially owned one per cent (1%) or more of any class of common equity securities of the subject company.
10	Please see below for other relevant disclosures

Shares of this security may be solicited in the following states AK, AL, AR,AZ, CA, CO,CT,DC,DE,FL,GA,HI,IA,IS,IL, IN,KS,KY,LA,MA,MD,ME,MI, MN,NC,ND, NE,NJ,NM,NV,NY,OH,OK,OR,PA,RI,SC,SD,TN,UT,VA,VI,VT,WA,WI,WV,WY

Rating	Companies Covered	Rating Distribution	Investment Banking Clients	Investment Banking Clients %
BUY	7	88%	1	13%
NEUTRAL	1	13%	0	0%
SELL	0	0%	0	0%
Total	8	100%	1	0%

FIRM-WIDE RATING DISTRIBUTION: MEANING OF RATINGS

BUY: the total return of the investment strategy is likely to appreciate at least 15% over the next 12 months.

NEUTRAL: the stock price is likely to consolidate over the next 12 months.

SELL: the stock price is likely to decline in value at least 15% over the next 12 months.

RATING AND PRICE TARGET HISTORY: SCLN as of March 25, 2010

