



First Take

SciClone Pharmaceuticals (SCLN)

Price: \$3.69 (03/24/2010), Price Target: \$8.00, Market Cap(MM): \$174.2,
Rating: Market Outperform

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RapidFilm Approval in the EU Paves Way for Revenue Boost in China

Ondansetron RapidFilm Approved In 16 EU Nations Yesterday, SciClone reported that BioAlliance Pharma S.A. (Privately Owned) received approval for the anti-nausea drug ondansetron RapidFilm in 16 major EU countries, under the EU decentralized approval pathway. As a reminder, ondansetron RapidFilm was developed by APR Applied Pharma Research S.A. (Privately Owned) and Labtec GmbH (Privately Owned) and licensed to BioAlliance for EU countries. In 2009, SciClone entered into an exclusive licensing agreement with APR for the rights to commercialize and distribute ondansetron RapidFilm in the Chinese and Vietnamese markets.

Regulatory Pathway For RapidFilm With the EU approvals in place, SciClone is well positioned to file for SFDA regulatory approval in 2010 and remains on track, as per prior guidance, for a potential commercial launch in China in 2011. According to SciClone management, a bioequivalency study to support approval in China is anticipated and the approvals in the EU should facilitate discussions regarding the design of a trial with the SFDA. Of note, investors should be aware that SciClone has had multiple interactions with the SFDA regarding the regulatory approval of DC Bead, a drug-eluting bead for liver cancer. In our opinion, the company's regulatory expertise, in addition to the recently announced EU approvals of ondansetron RapidFilm, should help to streamline the path forward for RapidFilm in China.

A Long-Term Strategy Continues to Unfold: Leveraging the China Sales Force The ondansetron RapidFilm agreement highlights SciClone's long-term corporate strategy of expanding the company's presence in China via in-licensing deals that can leverage SciClone's 175-person sales force. We believe that the expertise of SciClone's sales force as well as Zadoxin's reputation for quality and purity have the potential to be leveraged for the commercialization of ondansetron RapidFilm. According to SciClone's estimates, 2008 sales of serotonin 5-HT₃ receptor antagonists in China, such as ondansetron, were approximately \$110 MM. Given RapidFilm's unique profile, we anticipate that SciClone has the potential to take market share from the tablet formulations currently on the market in China.

Details of Mechanism of Action of RapidFilm Ondansetron RapidFilm, a serotonin 5-hydroxytryptamine 3 receptor antagonist, is a rapidly dissolving, oral thin-film water-soluble formulation of the generic drug ondansetron (branded name Zofran, manufactured by GlaxoSmithKline (GSK, Not Rated)) which is widely used to treat common side effects of nausea and vomiting, following surgery, chemotherapy, and radiotherapy, as well as during pregnancy. When RapidFilm comes into contact with water or saliva, the formulation disintegrates and releases the drug in the mouth promoting both buccal and gastrointestinal absorption. The RapidFilm dosage form was specifically designed to address patient compliance with existing tablet formulations of ondansetron. Given that patients suffering from nausea and vomiting may have problems swallowing liquids and difficulty retaining tablets in the gastrointestinal tract, an alternative formulation of ondansetron could prove beneficial to patients.

Quick Take We are reiterating our Market Outperform / Speculative Risk rating and a 12-month target price of \$8. Our target price is derived based on a 2014 discounted revenues and earnings per share projections of approximately \$110 MM and diluted EPS of \$0.63, respectively. With European approval for RapidFilm in place, SciClone comes closer to the goal of regulatory filing in China in 2010 and market launch in 2011, bringing another marquee product into the hands of the experienced and knowledgeable Zadoxin sales force. As a reminder, SciClone's revenues are driven by the flagship immunomodulatory agent Zadoxin, which is marketed in China and a variety of other foreign countries. SciClone has a promising pipeline of products including SCV-07 for oral mucositis and Hepatitis C infection, DC Bead™ for liver cancer, and RapidFilm for nausea. In our opinion, the mix of growing revenues, solid cash position, potential to in-license additional assets as well as report key data milestones from ongoing trials could generate significant value for the risk-oriented, long-term investor.

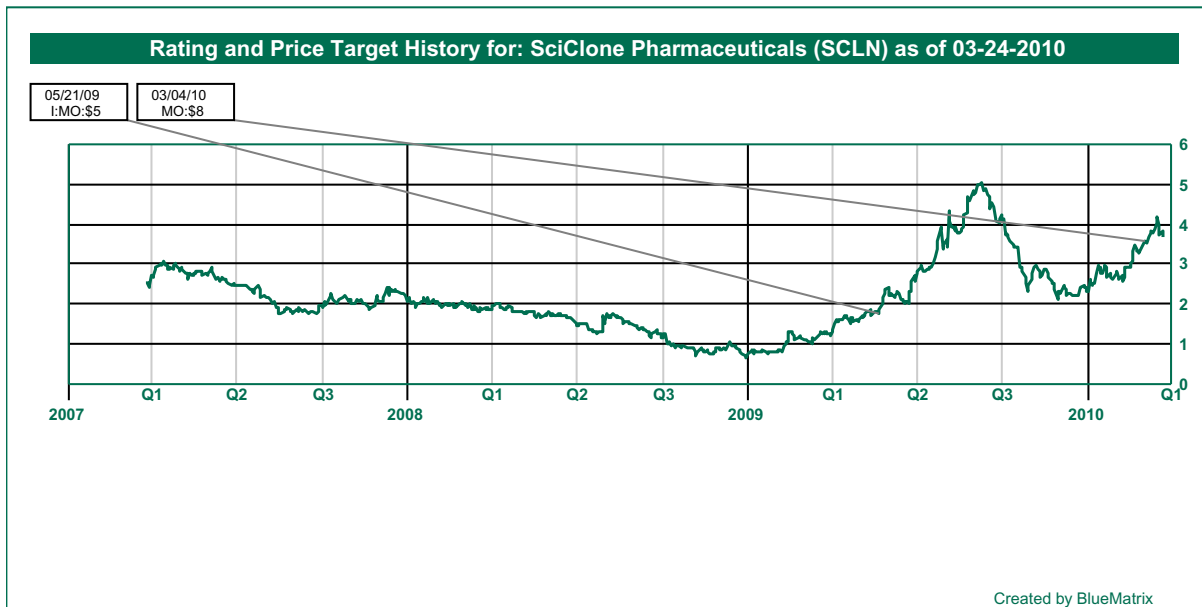
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RISK ASSESSMENT

- Speculative - The common stock risk level is significantly greater than market risk. The stock price of these equities is exceptionally volatile.
- Aggressive - The common stock risk level is materially higher than market level risk. The stock price is typically more volatile than the general market.
- Moderate - The common stock is moderately risky, or equivalent to stock market risk. The stock price volatility is typically in-line with movements in the general market.



RATING SUMMARY

Rating	Count	Percent	IB Serv./Past 12 Mos	
			Count	Percent
Market Outperform(MO)	115	70.60%	36	31.30%
Market Perform(MP)	38	23.30%	5	13.16%
Market Underperform(MU)	5	3.10%	0	0.00%
Under Review(UR)	5	3.10%	1	20.00%
Total	163	100%	42	100%

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