



First Take

SciClone Pharmaceuticals (SCLN)

Price: \$3.71 (03/31/2010 - Intraday), Price Target: \$8.00, Market Cap(MM): \$175.6, Rating: Market Outperform

Reni Benjamin, Ph.D., Senior Biotechnology Analyst 212-430-1743 rbenjamin@rodm.com

Yigal D. Nochomovitz, Ph.D., Associate Biotechnology Analyst 212-430-1796 ynochomovitz@rodm.com

Phase 2 Results of SCV-07 in Oral Mucositis Show Activity in High Dose Cohort

Trend Toward Delayed Onset of Severe Oral Mucositis Seen Yesterday evening, SciClone reported topline results from a randomized, double-blind, placebo-controlled Phase 2 clinical trial evaluating SCV-07 for the prevention of severe (Grade 3 or 4) oral mucositis in 59 patients receiving standard chemoradiation therapy for treatment of head and neck cancer. The study demonstrated activity in delaying the onset of severe oral mucositis in the high dose cohort of 0.1 mg/kg. In the lower dose cohort of 0.02 mg/kg, no activity was observed. Although the result for the high dose cohort did not meet statistical significance versus placebo, investors should be aware that the trial was not powered to demonstrate a statistically significant effect and was primarily aimed as a proof-of-concept trial to guide the design of future, larger studies. Of note, the safety and tolerability profile of SCV-07 was good, with no drug-related serious adverse events documented. SciClone has submitted a late-breaking abstract to the 2010 American Society of Clinical Oncology Annual Meeting and assuming acceptance of the abstract, we are anticipating additional details at the conference.

Subset Analysis Guides Design of Next Phase 2 Trial A subset analysis of patients graded with ulcerative oral mucositis, a broader measure of oral mucositis that includes Grade 2 lesions, demonstrated a stronger activity profile in delaying the natural history of the onset of ulcerative mucositis. According to key opinion leaders, the extension of biological activity to the ulcerative oral mucositis setting is significant, as ulceration is the predominant cause of morbidity seen with oral mucositis, occurring in approximately 90% of oral mucositis cases. Given this exploratory analysis, SciClone intends to incorporate the delay of onset of ulcerative oral mucositis as a formal endpoint in a second Phase 2 study. Additionally, given the good safety profile, higher doses are expected to be evaluated in a trial powered appropriately to demonstrate a statistically significant treatment effect. Discussions with FDA are anticipated regarding the design of a second Phase 2 study, which we believe could initiate by YE10 or early 2011.

Thesis Unchanged – Valuation Driven by China Sales of Zadaxin Investors should be aware that our valuation is driven entirely by sales of Zadaxin and that the potential for the biotech pipeline comprised of SCV-07 for oral mucositis and HCV provides additional upside not included in our valuation. Based on continued strong Zadaxin sales, the company has raised its revenue and EPS guidance for 2010 to \$82-\$85 MM and \$0.31 - 0.35, respectively, with a projected year-end cash balance greater than \$35 MM. We believe that continued sales growth of Zadaxin® in China is expected to be derived from SciClone's increasing sales presence in Tier 2 cities for Class II and Class III hospitals. In addition, the company plans to expand the sales force to over 200 persons from the 175 currently employed. The additional personnel should also improve the coverage in the Tier 1 cities which have been the traditional sales base for Zadaxin.

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 Zadaxin sales force. As a reminder, SciClone's revenues are driven by the flagship immunomodulatory agent Zadaxin, which is marketed in China and a variety of other foreign countries, with the near-term potential to add DC Bead™ for liver cancer and RapidFilm for nausea to the product suite. The development pipeline including SCV-07 for oral mucositis and Hepatitis C infection offers the potential for additional upside. 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.

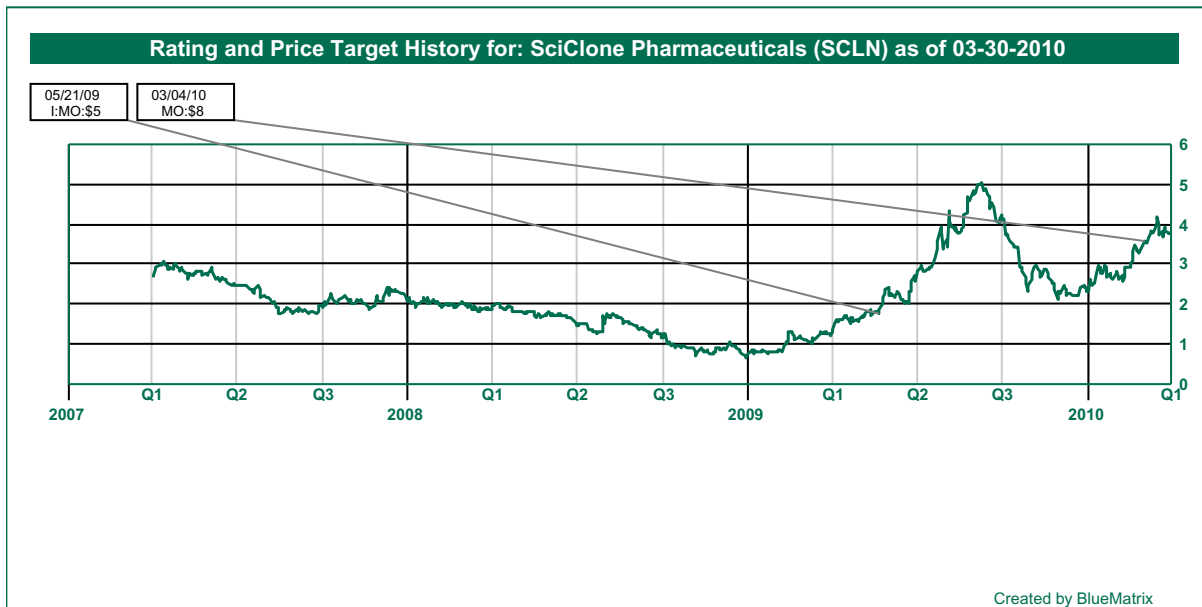
RODMAN & RENSHAW RATING SYSTEM: Rodman & Renshaw employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector, as defined by First Call. The price objective is calculated to estimate the potential movement in price a given equity could achieve given certain targets are met over a defined time horizon. Price objectives are subject to exogenous factors including industry events and market volatility. The risk assessment evaluates the company specific risk and accounts for the following factors, maturity of market, maturity of technology, maturity of firm, cash utilization, and valuation considerations. Potential factors contributing to risk: relatively undefined market, new technologies, immature firm, high cash burn rates, intrinsic value weighted toward future earnings or events.

RETURN ASSESSMENT

- Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Perform (Hold): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.
- Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector, as defined by First Call.

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)	116	70.30%	36	31.03%
Market Perform(MP)	39	23.60%	4	10.26%
Market Underperform(MU)	5	3.00%	0	0.00%
Under Review(UR)	5	3.00%	1	20.00%
Total	165	100%	41	100%

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

ADDITIONAL DISCLOSURES

Rodman & Renshaw, LLC. (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

ANALYST CERTIFICATION

I, Reni Benjamin, Ph.D., hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities.

None of the research analysts or the research analyst's household has a financial interest in the securities of SciClone Pharmaceuticals (including, without limitation, any option, right, warrant, future, long or short position).

As of Feb 28 2010 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of SciClone Pharmaceuticals.

Neither the research analyst nor the Firm has any material conflict of interest with SciClone Pharmaceuticals, of which the research analyst knows or has reason to know at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The Firm or its affiliates did not receive compensation from SciClone Pharmaceuticals for any investment banking services within twelve months before, but intends to seek compensation from the companies mentioned in this report for investment banking services within three months, following publication of the research report.

Neither the research analyst nor any member of the research analyst's household nor the Firm serves as an officer, director or advisory board member of SciClone Pharmaceuticals.

The Firm does make a market in SciClone Pharmaceuticals securities as of the date of this research report.

Any opinions expressed herein are statements of our judgment as of the date of publication and are subject to change without notice.

Reproduction without written permission is prohibited. The intraday prices of securities mentioned in this report are as of Mar 31 2010. Additional information is available to clients upon written request. For complete research report on SciClone Pharmaceuticals, please call (212) 356-0500.

Readers are advised that this analysis report is issued solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy. The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data. Past performance is no guarantee of future results.