

Scilex Holding Company (SCLX)
Rating: Buy

Raghuram Selvaraju, Ph.D.

212-916-3966

rselvaraju@hcwresearch.com

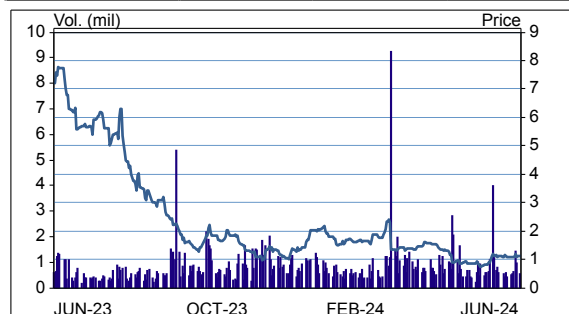
Gloperba Manufacturing Approval and Wholesaler Stocking; Reiterate Buy

Stock Data		6/10/2024
Price		\$1.12
Exchange		NASDAQ
Price Target		\$7.00
52-Week High		\$8.30
52-Week Low		\$0.73
Enterprise Value (M)		\$310
Market Cap (M)		\$203
Shares Outstanding (M)		181.2
3 Month Avg Volume		886,939
Short Interest (M)		8.08

Balance Sheet Metrics		
Cash (M)		\$1.8
Total Debt (M)		\$109.3
Total Cash/Share		\$0.01
Book Value/Share		\$(1.79)

EPS (\$) Diluted			
Full Year - Dec	2023A	2024E	2025E
1Q	(0.22)	(0.24)A	(0.07)
2Q	(0.19)	(0.14)	(0.04)
3Q	(0.63)	(0.10)	(0.02)
4Q	(0.25)	(0.07)	(0.01)
FY	(1.28)	(0.47)	(0.14)

Revenue (\$M)			
Full Year - Dec	2023A	2024E	2025E
1Q	10.6	10.9A	29.0
2Q	12.6	15.2	37.7
3Q	10.1	20.8	45.2
4Q	13.5	25.4	51.3
FY	46.7	72.4	163.2



Commercial manufacturing FDA approval received. Last week, Scilex announced that it has received FDA approval of commercial manufacturing of Gloperba, an FDA-approved prophylactic treatment for painful gout flares in adults, in the U.S. and will launch in June 2024. Gloperba is a highly complementary commercial asset that allows Scilex to provide physicians with another tool in their non-opioid pain management armamentarium to treat gout earlier in the disease course, as the company continues to work towards re-defining the role of opioids as a last resort rescue medication. Investors should also note that Scilex stock was added to the MSCI Global Micro Cap Index at the end of last month. We reiterate our Buy rating and 12-month target of \$7 per share.

Stocking initiated at wholesalers and pharmacies. Scilex began stocking Gloperba in all major wholesalers and pharmacies with which Scilex has stocking arrangements throughout the U.S., starting yesterday. We remind investors that Gloperba is a novel liquid colchicine formulation with a launch price of \$595 per 150ml bottle, which is the only FDA-approved liquid formulation of colchicine for the prophylaxis of acute gout flares. Over 70% of gout patients have chronic kidney disease and many suffer from gastrointestinal sensitivity, necessitating a lower dose of colchicine than that present in the standard 0.6mg tablet or capsule. Gloperba is expected to be the first liquid colchicine formulation that allows healthcare providers to prescribe precision dosing in at-risk patient populations, and thereby help mitigate against severe toxicity in patients. Healthcare providers can now safely and effectively manage such patients at doses below 0.6mg once- or twice-daily, which is the standard dose for prophylaxis. In patients who are treated at doses below 0.6mg, the 150ml bottle of Gloperba is expected to last more than 30 days, providing greater convenience.

Valuation and risks. We assess Scilex using a discounted cash flow (DCF)-based valuation methodology. This applies an 85% probability of approval to SEMDEXA (SP-102), while we assume 100% probability of approval for ZTlido, Elyxyb, Gloperba and SP-103. We utilize a 12% discount rate and 3% terminal rate of decline. Our assumptions correspond to a total firm value of ~\$2.5B, which yields a price objective of \$7 per share assuming ~370M fully-diluted shares outstanding as of end-1Q25. Risks include, but are not limited to: (1) inability to achieve market traction with ZTlido, Elyxyb or Gloperba due to greater-than-anticipated competitive pressures or setbacks in obtaining reimbursement and formulary access; (2) failure to obtain regulatory approval in the U.S. for other product candidates; (3) financial market risks; (4) broader macroeconomic risks related to ongoing geopolitical fallout from regional conflicts; and (5) near-term dilution risk.

Table 1: Scilex Holding Company (SCLX)—Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2023A					2024E				2024E	2025E
	1QA	2QA	3QA	4QA	2023A	1QA	2QE	3QE	4QE		
Revenue											
Product revenue	10,582	12,582	10,117	13,462	46,743	10,884	15,206	20,848	25,445	72,383	163,176
Research and other	-	-	-	-	-	-	-	-	-	-	-
Total revenue	10,582	12,582	10,117	13,462	46,743	10,884	15,206	20,848	25,445	72,383	163,176
Expenses											
Cost of product and service revenue	3,591	4,177	3,392	4,521	15,681	3,840	5,170	6,671	7,888	23,569	45,911
Research & development	2,736	3,204	4,072	2,734	12,746	3,108	3,200	3,300	3,400	13,008	14,000
Selling, general and administrative	28,701	26,989	40,431	23,520	119,641	29,278	29,500	29,700	30,000	118,478	140,000
Intangible amortization and legal settlements	1,027	1,026	1,027	1,026	4,106	(5,864)	1,000	1,000	1,000	(2,864)	4,000
Total expenses	36,055	35,396	48,922	31,801	152,174	30,362	38,870	40,671	42,288	152,191	203,911
Gain (loss) from operations	(25,473)	(22,814)	(38,805)	(18,339)	(105,431)	(19,478)	(23,664)	(19,823)	(16,843)	(79,808)	(40,735)
Other income/expense											
Interest income/expense	1	(5)	(513)	(551)	(1,068)	(531)	(1,390)	(950)	(430)	(3,301)	(1,000)
Gain (loss) on derivative liability	(5,253)	(82)	4,245	578	(512)	(457)	-	-	-	(457)	-
Gain (loss) on debt extinguishment	-	-	(449)	449	-	-	-	-	-	-	-
Scilex Notes principal / debenture fair value change	-	(3,748)	-	(3,441)	(7,189)	(3,905)	-	-	-	(3,905)	-
Loss (gain) on foreign currency exchange	(20)	(3)	(7)	(88)	(118)	(6)	-	-	-	(6)	-
Total investment income and other	(5,272)	(3,838)	3,276	(3,053)	(8,887)	(4,899)	(1,390)	(950)	(430)	(7,669)	(1,000)
Loss before provision for income taxes	(30,745)	(26,652)	(35,529)	(21,392)	(114,318)	(24,377)	(25,054)	(20,773)	(17,273)	(87,477)	(41,735)
Deferred income tax benefit	(8)	-	-	(5)	(13)	-	-	-	-	-	-
Net loss/income	(30,753)	(26,652)	(35,529)	(21,397)	(114,331)	(24,377)	(25,054)	(20,773)	(17,273)	(87,477)	(41,735)
Net loss per share (basic)	(0.22)	(0.19)	(0.63)	(0.25)	(1.28)	(0.24)	(0.14)	(0.10)	(0.07)	(0.47)	(0.14)
Net loss per share (diluted)	(0.22)	(0.19)	(0.63)	(0.25)	(1.28)	(0.24)	(0.14)	(0.10)	(0.07)	(0.47)	(0.14)
Weighted average number of shares outstanding (basic)	141,660	142,626	139,808	154,417	130,298	102,407	178,740	216,340	251,440	187,232	295,440
Weighted average number of shares outstanding (diluted)	141,660	142,626	139,808	154,417	130,298	102,407	178,740	216,340	251,440	187,232	295,440

Source: Company reports and H.C. Wainwright & Co. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright 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. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

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.

Market Perform (Neutral): 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.

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.



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.

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	555	88.80%	131	23.60%
Neutral	63	10.08%	5	7.94%
Sell	1	0.16%	0	0.00%
Under Review	6	0.96%	1	16.67%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Raghuram Selvaraju, Ph.D. , certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

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

As of May 31, 2024 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Scilex Holding Company.

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest 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.

Mr. Selvaraju, who is [the][an] author of this report, is the Chairman of and receives compensation from Relief Therapeutics Holding SA, a Swiss, commercial-stage biopharmaceutical company identifying, developing and commercializing novel, patent protected products in selected specialty, rare and ultra-rare disease areas on a global basis ("Relief"). You should consider Mr. Selvaraju's position with Relief when reading this research report.

The Firm or its affiliates did not receive compensation from Scilex Holding Company for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in Scilex Holding Company as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

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 on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.