

### SCLX: Major Overhang Resolved; Long-Term Commercial Loan Secured

Scilex (SCLX; Buy) entered into commitment letter to secure a five-year \$100M term financing with Perigrove LLC and Graf Holdings. The company intends to repay its \$85M debt to Oramed (ORMP; Not Rated). We reiterate our Buy rating with a 12-month Price Target of \$13/share.

The Oramed debt represented a major overhang, as Scilex would have had to make quarterly payments of \$20M, including a \$20M payment by June 21, 2024, and final payment of \$26M by March 21, 2025.

The Perigrove debt matures in five years. Scilex is to make annual interest payments, which are the greater of 20% of net annual product sales or 12% on the principal amount. Scilex has an option to prepay the loan following the initial first two years of the term. The company will issue warrants to the lender to buy up to 32.5M common shares with an exercise price of \$1.20/share.

**Elemer Piros, PhD**  
epiros@rodmresearch.com  
(212) 540-4425

#### Stock Data

Rating	Buy
Price Target	\$13.00
Exchange	NASDAQ
Price	\$1.33
52-Week High	8.30
52-Week Low	0.73
Cash (M)	\$3
Market Cap (M)	241
Shares Outstanding (M)	181
3 Month Avg Volume	961,627

#### Estimates

	2022A	2023A	2024E	
			(Curr.)	(Prev.)
<b>Revenue (M)   \$   Year end: December</b>				
Q1	-	10.6A	13.0E	-
Q2	-	12.6A	20.0E	-
Q3	-	10.1A	35.0E	-
Q4	-	13.5A	46.0E	-
FY	38.0A	46.7A	114E	-
<b>EPS   \$   Year end: December</b>				
Q1	-	(0.22)A	(0.13)E	-
Q2	-	(0.19)A	(0.03)E	-
Q3	-	(0.63)A	0.07E	-
Q4	-	(0.25)A	0.12E	-
FY	(0.17)A	(0.88)A	0.06E	-

#### One Year Performance Chart



**Valuation and Risks**

We arrive at our twelve-month price target of \$13/share by assessing the after-tax, risk adjusted NPV of potential future cash flows from the company's ZTIldo, ELYXYB and GLOPERBA programs, in addition to the estimated value of pipeline assets. For commercial-stage assets, the probability-adjusted, fully taxed (21%) NPV (15% discount rate) of potential cash flows through 2036 is ~\$1.2B or \$10/share, according to our forecasts. We estimate that the value of pipeline assets to be \$300M, or \$3/share. The combined total NPV of all the assets is ~\$1.5B or \$13/share, corresponding to our 12-month price target. Significant factors that could impede shares from reaching our price target include the failure of ELYXYB's label expansion into acute pain and lower-than-estimated sales. In addition, the company may not be able to raise additional funds to repay debt and to complete development of drug candidates.

**Company description**

Scilex Holding Company focuses on acquiring, developing, and commercializing non-opioid pain management products for the treatment of acute and chronic pain. Its commercial products include ZTIldo (lidocaine topical system) 1.8%, a prescription lidocaine topical product for the relief of neuropathic pain associated with postherpetic neuralgia (PHN), which is a form of post-shingles nerve pain; ELYXYB, a ready-to-use oral solution for the acute treatment of migraine with or without aura in adults; and GLOPERBA, a liquid oral version of the anti-gout medicine colchicine indicated for the prophylaxis of painful gout flares in adults. The company is also developing three product candidates, including SP-102 (10 mg dexamethasone sodium phosphate viscous gel) (SEMDEXA), a novel viscous gel formulation of a corticosteroid used for epidural injections, which has completed a Phase 3 study to treat lumbosacral radicular pain or sciatica; SP-103 (lidocaine topical system) 5.4% (SP-103), a formulation of ZTIldo for the treatment of chronic neck pain and low back pain (LBP) that has completed a Phase 2 trial; and SP-104 (4.5 mg low-dose naltrexone hydrochloride delayed-release capsules) (SP-104), a novel low-dose delayed-release naltrexone hydrochloride, which has completed Phase 1 trials for the treatment of fibromyalgia. The company is headquartered in Palo Alto, California.

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**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.

Related Companies Mentioned in this Report as of June 12, 2024				
Company	Ticker	Rodman & Renshaw Rating	12 Month Price Target	Price
Scilex Holding Company	SCLX	Buy	13.00	1.33

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Distribution of Ratings Table as of June 12, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
BUY	34	97.14%	1	2.94%
HOLD	1	2.86%	0	0.00%
SELL	0	0.00%	0	0.00%
NOT RATED	0	0.00%	0	0.00%

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