

SCLX: Commercial Manufacturing sNDA Approved for GLOPERBA

Scilex (SCLX; Buy) announced the approval of a supplemental New Drug Application for the manufacturing of previously approved gout drug, GLOPERBA. We reiterate our Buy rating with a \$13/share 12-month price target on Scilex.

GLOPERBA is an FDA-approved colchicine oral solution for the prevention of painful gout flares in adults. It addresses a crucial aspect of treatment for patients who face challenges in swallowing pills and offers greater flexibility in dosing, allowing for titration and dose reduction, particularly beneficial for specific populations such as gout patients with renal or hepatic impairment.

Over 70% of gout patients have chronic kidney disease and many suffer from gastrointestinal sensitivity, necessitating a lower dose of colchicine than the standard 0.6 mg tablet or capsule.

Scilex has previously established network of wholesalers and pharmacies across the US. The company's experienced commercial team will launch GLOPERBA along with other existing non-opioid pain products ZTlido and ELYXYB. GLOPERBA will be stocked in all major wholesalers and pharmacies beginning next week.

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Stock Data

Rating	Buy
Price Target	13.00
Exchange	NASDAQ
Price	1.18
52-Week High	8.30
52-Week Low	0.73
Cash (M)	3
Market Cap (M)	214
Shares Outstanding (M)	181
3 Month Avg Volume	946,664

Estimates

	2022A	2023A	2024E	
			(Curr.)	(Prev.)
Revenue (M) \$ Year end: December				
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	-
EPS \$ Year end: December				
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 ZTlido, 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 ZTlido (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 ZTlido 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 07, 2024				
Company	Ticker	Rodman & Renshaw Rating	12 Month Price Target	Price
Scilex Holding Company	SCLX	Buy	13.00	1.18

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Distribution of Ratings Table as of June 07, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
BUY	29	96.67%	1	3.45%
HOLD	1	3.33%	0	0.00%
SELL	0	0.00%	0	0.00%
NOT RATED	0	0.00%	0	0.00%

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