

# Zacks Small-Cap Research

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## Scilex Holding Company (SCLX-NASDAQ)

### SCLX: Revenues Beat Estimates in 2Q

SCLX is developing pain relief products that don't involve opioids. We currently value SCLX at \$5.50 using a 10% discount ratio with the belief that estimate will rise as new products come to market.

### OUTLOOK

SCLX is filling a much-needed area of the health care sector, that of developing non-opioid pain relief products. The company already has commercialized products that are proven to improve patients' lives.

The company released its 2Q2024 results that showed revenues that bested estimates as sales of its primary products showed robust growth, while adding another product to its mix.

Current Price (06/10/24) **\$1.12**  
**Valuation** **\$5.50**

### SUMMARY DATA

52-Week High **\$4.01**  
 52-Week Low **\$0.75**  
 One-Year Return (%) **-61.53**  
 Beta **1.22**  
 Average Daily Volume (sh) **707,712**

Shares Outstanding (mil) **182**  
 Market Capitalization (\$mil) **\$238**  
 Short Interest Ratio (days) **N/A**  
 Institutional Ownership (%) **70**  
 Insider Ownership (%) **9**

Annual Cash Dividend **\$0.00**  
 Dividend Yield (%) **0.00**

#### 5-Yr. Historical Growth Rates

Sales (%) **N/A**  
 Earnings Per Share (%) **N/A**  
 Dividend (%) **N/A**

Risk Level **Medium**  
 Type of Stock **Small-Growth**  
 Industry **N/A**

### ZACKS ESTIMATES

#### Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	N/A	N/A	N/A	N/A	38.0 A
2023	10.6 A	12.6 A	10.1 A	13.5 A	46.8 A
2024	10.9 A	16.4 A	16.9 E	17.4 E	61.6 E
2025	16.0 E	16.9 E	17.8 E	18.8 E	69.5 E

#### Earnings

(per share)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	N/A	N/A	N/A	N/A	-0.17 E
2023	-0.22 A	-0.19 A	-0.63 A	-0.25 A	-1.28 A
2024	-0.24 A	-0.31 A	-0.30 E	-0.34 E	-1.19 E
2025	-0.16 E	-0.18 E	-0.17 E	-0.16 E	-0.67 E

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## Company Update

Scilex Holding Company is a revenue-generating company that is focused on addressing one of the biggest issues facing humanity today—that of the overuse of opioids. Scilex is focused on developing non-opioid pain management products that provide the relief patients so desperately need, while avoiding the debilitating addiction that often comes with the use of opioids. Roughly 112,000 Americans died in 2023 from overdoses and there we have no doubt that a good number of those involved opioid use at some point to reduce physical pain of various types.

Scilex continues to grow its product offerings and distribution channels, leading to more patients being helped and more revenue coming in.

The company recently released its 2Q2024 results that showed a great improvement in revenue that blew past our estimates and vastly outpaced 1Q results. The net revenue number of \$16.4 million was driven by a 16% increase in sales of its ZTlido treatment and a 49% gain in sales of ELYXYB along with the introduction in 2Q of its treatment for gout—GLOPERBA.

As a reminder, gout is a painful arthritic disorder that affects an estimated 9.2 million people in the United States. Gloperba has the chance to have a major impact on many of these patients as it is the first and only liquid oral version of the anti-gout medicine colchicine. According to data collected by the company, over 70% of gout patients have comorbid conditions that may require dose adjustments and could benefit from Gloperba. Additionally, over 17% of patients on colchicine experience severe gastrointestinal side effects and also may benefit from the flexible dosing offered by Gloperba. A recent market research study among rheumatologists conducted by Scilex revealed a high degree of interest in Gloperba as a liquid colchicine formulation designed for precision dosing.<sup>5</sup> Specifically, clinicians using colchicine for prophylaxis of gout flares in adults indicated a strong likelihood to use Gloperba instead of tablets/capsules in certain at-risk patient populations who have a clinical need for lowered precision dosing to mitigate the risk of colchicine toxicity.

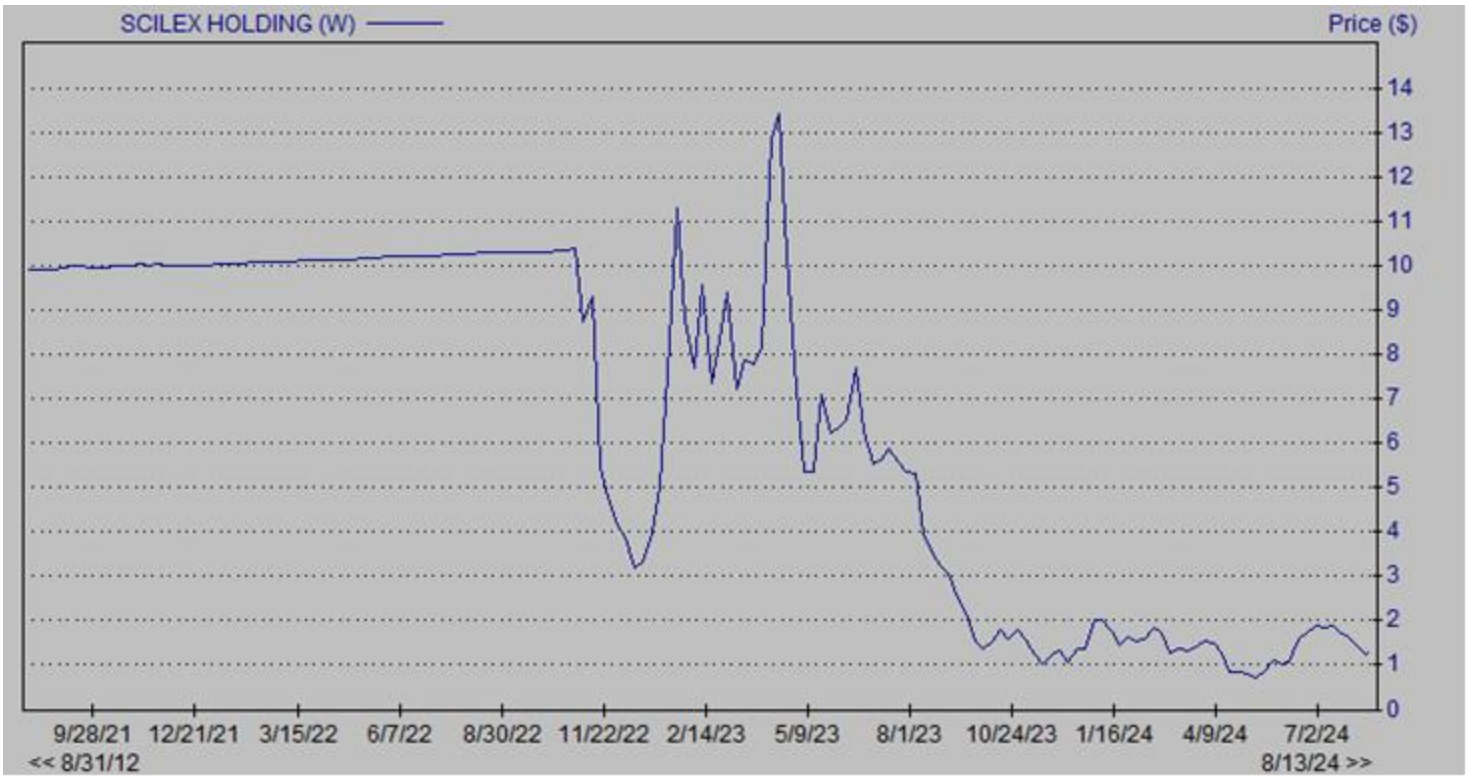
As a result of the increase in revenue and successful launch of GLOPERBA and our belief that the products of Scilex are gaining increasing traction and that sales growth will accelerate as more patients become aware of the benefits, we are raising our price target to \$5.50 per share.

These announcements and plans for the future reinforce our belief that SCLX is poised to resume its move higher and that investors continue to underestimate the value of treatments the company currently has and is developing. We urge investors to take a look at a company that is earning revenue, growing that revenue in a meaningful way, and adding to its portfolio of very important treatments before the rest of the investing community realized the story developing at Scilex.

## PROJECTED INCOME STATEMENT & BALANCE SHEET

Scilex Holding Company Income Statement and Balance Sheet								
(in thousands, except for per share amounts)								
	2023A	1Q2024A	2Q2024A	3Q2024E	4Q2024E	2025E	2026E	
Revenue	46,743	10,884	16,370	16,861	17,367	69,468	72,941	
Operating Costs								
Cost of revenue	15,681	3,840	4,390	4,522	4,657	20,840	21,882	
Research and development	12,746	3,108	2,004	2,104	2,209	8,838	9,280	
Selling, general and admin.	119,641	29,278	24,598	25,090	25,592	104,558	105,603	
Intangible amortization/Legal Settlements	4,106	(5,864)	1,001	1,027	7,942	4,024	4,064	
Total Operating Costs	152,174	30,362	31,993	32,743	40,401	138,260	140,829	
Gain/(loss) from operations	(105,431)	(19,478)	(15,623)	(15,882)	(23,034)	(68,792)	(67,888)	
Other (income)/expense								
Interest expense	1,068	531	571	514	463	1,850	1,887	
Other (gain)	7,819	4,368	21,388	21,602	21,818	22,036	22,697	
Total other (income)/expense	8,887	4,899	21,959	22,116	22,280	23,886	24,584	
Gain/(loss) before income taxes	(114,318)	(24,377)	(37,582)	(37,998)	(45,314)	(92,678)	(92,472)	
Income tax expense/(benefit)	9	0	0	0	0	0	0	
Net gain/(loss)	(114,327)	(24,377)	(37,582)	(37,998)	(45,314)	(92,678)	(92,472)	
Net gain/(loss) per share	\$ (1.28)	\$ (0.24)	\$ (0.31)	\$ (0.30)	\$ (0.34)	\$ (0.67)	\$ (0.63)	
Wtd avg. shares outstanding--basic and diluted	134,226	102,407	120,188	126,197	132,507	139,133	146,089	
Current assets:								
Cash and cash equivalents	3,921	1,818	6,888	7,232	7,594	7,974	8,372	
Accounts rec., net	34,597	29,716	38,004	27,568	27,568	27,568	27,568	
Inventory	4,214	3,486	3,073	3,110	3,110	3,110	3,110	
Other	4,049	2,725	2,453	4,447	4,447	4,447	4,447	
Total current assets	46,781	37,745	50,418	42,357	42,719	43,099	43,497	
Property and equipment	722	718	714	700	686	672	659	
Other long-term assets	53,806	52,777	53,412	54,278	53,806	54,344	54,888	
Total Assets	101,309	91,240	104,544	97,335	97,211	98,115	99,043	
Current liabilities:								
Accounts payable	40,954	45,946	41,787	43,041	44,332	45,662	47,032	
Accrued rebates and fees	89,658	104,088	125,063	126,314	127,577	128,853	130,141	
Other current liabilities	119,768	102,698	88,601	91,259	93,997	96,817	99,721	
Total current liabilities	250,380	252,732	255,451	260,613	265,905	271,331	276,894	
Long-term debt	17,038	2,780	2,667	2,667	2,667	2,667	2,667	
Other long-term liabilities	6,829	25,514	61,118	62,340	63,587	64,859	66,156	
Total liabilities	274,247	281,026	319,236	325,621	332,160	338,857	345,717	
Stockholder equity:								
Common and preferred stock and Treasury Stock	(90,506)	(90,505)	(90,504)	(90,586)	(90,506)	(90,586)	(90,586)	
Additional paid-in capital	407,813	415,341	426,165	434,688	443,382	452,250	461,295	
Accumulated deficit	(490,245)	(514,622)	(550,353)	(572,388)	(587,825)	(602,405)	(617,382)	
Total stockholders' equity/(deficit)	(172,938)	(189,786)	(214,692)	(228,286)	(234,949)	(240,742)	(246,674)	
Total liabilities and stockholders' equity/(deficit)	101,309	91,240	104,544	97,335	97,211	98,115	99,043	

## HISTORICAL STOCK PRICE





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