

Zacks Small-Cap Research

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Scilex Holding Company (SCLX-NASDAQ)

SCLX: Financing Deal Puts Company in Good Shape

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.

Current Price (10/09/24) \$0.82
Valuation \$5.50

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 announced a financing deal that helps to pay off debt and adds cash at good terms.

SUMMARY DATA

52-Week High \$2.42
 52-Week Low \$0.75
 One-Year Return (%) -63.32
 Beta 1.15
 Average Daily Volume (sh) 1,122,373

Shares Outstanding (mil) 192
 Market Capitalization (\$mil) \$157
 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

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 announced the closing of a financing deal that we believe bolsters the company's financial position and positions SCLX for future growth. Under the deal, Scilex is issuing convertible notes and issuing 7.5 million warrants. As a result, the company is going to net approximately \$20.5 million. Management notes that it intends to use these proceeds to satisfy \$12.5 million of a note and pay off another revolving credit facility. In short, the company is refinancing debt at better terms and potentially providing cash at good terms for future capital needs.

While not as exciting as a new treatment or an FDA approval, this is the nuts and bolts of running a business and SCLX is showing that it cares about value and getting the best financing deals it can for the benefit of shareholders. This adds to the positive news that the company also announced in its preliminary results for September 2024. The company noted that its ZTlido net sales grew in the range of 9-29% over a year ago, while for the quarter, sales were up between 19-39%. We'll see the details when official quarterly results are filed but these preliminary results bode well for the official quarterly results and for the future of the company.

These announcements and plans for the future that we've discussed at length reinforce our belief that SCLX is poised to resume its move higher and that investors continue to underestimate the value of the treatments the company currently has and is developing. We appreciate that the company is attempting to unlock some of that value by this transaction and 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 realizes the story developing at Scilex.

HISTORICAL STOCK PRICE



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