

### SCLX: Corporate Update

Scilex Holding Company (SCLX; Buy) provided several corporate updates today. We are maintaining our Buy rating and 12-month price target of \$13/share.

**10-Q Filing.** Scilex filed its quarterly report for 3Q24, following an announced delay in timely filing. Net revenue recognized was \$14.4M (vs. \$10.1M a year ago and our estimate of \$13M).

**sNDA Submission.** The company announced that the FDA has acknowledged its submission of a Supplemental New Drug Application (sNDA) for ELYXYB, targeting acute pain indication.

**NASDAQ Listing.** Scilex reported that it has regained compliance with NASDAQ Listing Rule 5250(c)(1) following the filing of its Quarterly Report on Form 10-Q for the quarter ending September 30, 2024.

**Oramed Debt.** The company has extended the maturity date of its Senior Secured Promissory Note with Oramed Pharmaceuticals Inc. (ORMP; Not Rated) from March 21, 2025 to December 31, 2025. The revised agreement introduces additional covenants pertaining to the company's business operations.

**Additional Funding for Licensing Gloperba.** Scilex disclosed that its existing Tranche B senior secured convertible note holders—Oramed Pharmaceuticals Inc., Murchinson, and 3i LP—intend to fund and license the ex-US commercialization rights for Gloperba from Romeg Therapeutics, LLC. The note holders also plan to oversee the global licensing and distribution of Gloperba through the formation of a joint venture (JV).

For more detailed information, refer to the notes below.

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#### Stock Data

Rating	Buy
Price Target	\$13.00
Exchange	NASDAQ
Price	\$0.44
52-Week High	2.63
52-Week Low	0.38
Cash (M)	\$7
Market Cap (M)	103
Shares Outstanding (M)	243
3 Month Avg Volume	1,888,305

#### Estimates

	2022A	2023A	2024E
			(Curr.)

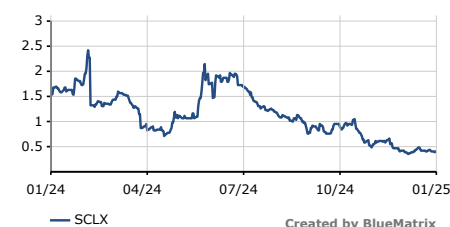
#### Revenue (M) | \$ | Year end: December

	2022A	2023A	2024E
Q1	-	10.6A	10.9A
Q2	-	12.6A	16.4A
Q3	-	10.1A	14.4A
Q4	-	13.5A	15.0E
FY	38.0A	46.7A	56.7E

#### EPS | \$ | Year end: December

	2022A	2023A	2024E
Q1	-	(0.22)A	(0.24)A
Q2	-	(0.19)A	(0.31)A
Q3	-	(0.63)A	(0.03)A
Q4	-	(0.25)A	(0.13)E
FY	(0.17)A	(0.88)A	(0.69)E

#### One Year Performance Chart



### sNDA Submission for ELYXYB

ELYXYB (celecoxib oral solution) is an FDA-approved nonsteroidal anti-inflammatory drug (NSAID) specifically formulated for the acute treatment of migraine with or without aura in adults. It is the first and only FDA-approved liquid formulation of celecoxib, designed for rapid absorption and onset of action, which is particularly beneficial for the acute management of migraines.

As a selective cyclooxygenase-2 (COX-2) inhibitor, ELYXYB reduces inflammation and pain by inhibiting the enzyme responsible for prostaglandin synthesis, which plays a role in inflammation and pain signaling. The oral solution allows for faster absorption compared to traditional capsule or tablet forms, making it a suitable option for managing migraines, especially during early onset. Packaged in single-dose containers, ELYXYB is portable and easy to use, offering patients flexibility in managing their symptoms.

The company is pursuing additional indications for ELYXYB, including its application in acute pain management, as evidenced by the recent submission of a sNDA to the FDA.

### NASDAQ Listing

Scilex Holding Company recently faced a compliance issue with NASDAQ Listing Rule 5250(c)(1) due to the delayed filing of its Quarterly Report on Form 10-Q for the period ending September 30, 2024. This rule mandates timely submission of periodic financial reports to ensure transparency and informed decision-making for investors. Upon receiving a non-compliance notice from NASDAQ on November 21, 2024, Scilex had a 60-day window, until January 20, 2025, to submit a plan to regain compliance.

The company addressed the issue by filing the required report, and on January 21, 2025, NASDAQ confirmed that Scilex had regained compliance with Listing Rule 5250(c)(1).

### Oramed Debt

Scilex entered into a Senior Secured Promissory Note agreement with Oramed Pharmaceuticals Inc. on September 21, 2023. The note represents a financing arrangement where Scilex borrowed funds from Oramed under terms that prioritize Oramed's claims on Scilex's assets in case of default.

The note was originally set to mature on March 21, 2025. The maturity date has since been extended to December 31, 2025, providing Scilex with a longer repayment period. As part of the extension, new business conduct covenants were introduced. These covenants likely impose operational and financial obligations on Scilex to safeguard Oramed's investment.

The note may serve as a funding mechanism for Scilex's operational and strategic needs, including its licensing and commercialization efforts, such as the recent plans involving Gloperba.

### Additional Funding for Licensing Gloperba

Gloperba is an oral solution formulation of colchicine, primarily used to prevent gout flares in adult patients. Gout is a form of inflammatory arthritis caused by elevated levels of uric acid in the blood, leading to painful joint inflammation. Colchicine, the active ingredient, has been used for decades as an anti-inflammatory treatment to manage and prevent acute gout attacks.

Gloperba works by inhibiting the migration of neutrophils to areas of inflammation, thus reducing the inflammatory response that causes gout flare-ups. It does not affect serum uric acid levels but targets the inflammatory process directly. Unlike traditional colchicine tablets, Gloperba is designed as a liquid, making it particularly suitable for patients who have difficulty swallowing pills (dysphagia). Gloperba received FDA approval for gout prophylaxis, providing a novel alternative to oral solid dosage forms of colchicine.

Scilex through its collaboration with its Tranche B senior secured convertible note holders, including Oramed Pharmaceuticals, Murchinson, and 3i LP, plans to acquire ex-U.S. commercialization rights to Gloperba from Romeg Therapeutics, LLC. The licensing aims to expand its availability globally through a new joint venture.

## Income Statements

Scilex Holdings													Elemer Piros, Ph.D. 212-540-4425 epiros@rodm.com	
(\$ In thousands, except per share data)	2020A	2021A	2022A	2023A				2023A	2024E				2024E	
				1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QE		
<b>Net revenue</b>	<b>\$23,560</b>	<b>\$31,317</b>	<b>\$38,034</b>	\$10,582	\$12,582	\$10,117	\$13,462	<b>\$46,743</b>	\$10,884	\$16,370	\$14,436	\$15,000	<b>\$56,690</b>	
Cost of Revenue	<b>\$2,149</b>	<b>\$3,634</b>	<b>\$10,797</b>	\$3,591	\$4,177	\$3,392	\$4,521	<b>\$15,681</b>	\$3,840	\$4,390	\$3,768	\$4,050	<b>\$16,048</b>	
Gross Profit	<b>\$21,411</b>	<b>\$27,683</b>	<b>\$27,237</b>	\$6,991	\$8,405	\$6,725	\$8,941	<b>\$31,062</b>	\$7,044	\$11,980	\$10,668	\$10,950	<b>\$40,642</b>	
% Gross margin	91%	88%	72%	66%	67%	66%	66%	66%	65%	73%	74%	73%	72%	
<b>Operating Expenses</b>														
Research and development	<b>\$9,961</b>	<b>\$9,201</b>	<b>\$9,054</b>	\$2,736	\$3,204	\$4,072	\$2,734	<b>\$12,746</b>	\$3,108	\$2,004	\$2,349	\$2,000	<b>\$9,461</b>	
Selling, general and administrative	<b>\$42,970</b>	<b>\$50,582</b>	<b>\$64,895</b>	\$28,701	\$26,989	\$40,431	\$23,520	<b>\$119,641</b>	\$29,278	\$24,598	\$29,734	\$25,000	<b>\$108,610</b>	
Intangible amortization	<b>\$3,738</b>	<b>\$3,738</b>	<b>\$3,922</b>	\$1,027	\$1,026	\$1,027	\$1,026	<b>\$4,106</b>	\$1,027	\$1,001	\$1,002	\$1,002	<b>\$4,032</b>	
Legal settlements									(\$6,891)		(\$2,500)		<b>(\$9,391)</b>	
Loss from operations	<b>(\$35,258)</b>	<b>(\$35,838)</b>	<b>(\$50,634)</b>	(\$25,473)	(\$22,814)	(\$38,805)	(\$18,339)	<b>(\$105,431)</b>	(\$19,478)	(\$15,623)	(\$19,917)	#####	<b>(\$72,070)</b>	
<b>Other (income) expense:</b>														
(Gain) loss on derivative liability	<b>(\$800)</b>	<b>\$300</b>	<b>(\$8,310)</b>	\$5,253	\$82	(\$4,245)	(\$578)	<b>\$512</b>	\$457	\$15,284	(\$18,108)	\$0	<b>(\$2,367)</b>	
Change in fair value of debt and liability instruments	<b>\$0</b>	<b>\$12,463</b>	<b>(\$28,634)</b>	\$0	\$3,748	\$449	\$2,992	<b>\$7,189</b>	\$3,905	\$6,099	\$1,957	\$0	<b>\$11,961</b>	
Gain on debt extinguishment, net	<b>\$0</b>	<b>\$28,000</b>	<b>\$0</b>	\$0	\$0	\$0	\$0	<b>\$0</b>	\$0	\$0	\$0	\$0	<b>\$0</b>	
Interest expense, net	<b>\$13,116</b>	<b>\$11,764</b>	<b>\$9,604</b>	(\$1)	\$5	\$513	\$551	<b>\$1,068</b>	\$531	\$571	\$576	\$450	<b>\$2,128</b>	
Loss (gain) on foreign currency exchange	<b>(\$2)</b>	<b>\$54</b>	<b>\$66</b>	\$20	\$3	\$7	\$88	<b>\$118</b>	\$6	\$5	\$46	\$46	<b>\$103</b>	
Total other (income) expense	<b>\$12,314</b>	<b>\$52,581</b>	<b>(\$27,274)</b>	\$5,272	\$3,838	(\$3,276)	\$3,053	<b>\$8,887</b>	\$4,899	\$21,959	(\$15,529)	\$496	<b>\$11,825</b>	
(Loss) income before income taxes	<b>(\$47,572)</b>	<b>(\$88,419)</b>	<b>(\$23,360)</b>	(\$30,745)	(\$26,652)	(\$35,529)	(\$21,392)	<b>(\$114,318)</b>	(\$24,377)	(\$37,582)	(\$4,388)	(\$17,548)	<b>(\$83,895)</b>	
Income tax expense (benefit)	<b>(\$53)</b>	<b>\$5</b>	<b>\$4</b>	\$8	(\$3)	\$0	\$8	<b>\$13</b>	\$0	\$0	\$0	\$0	<b>\$0</b>	
<b>Net (loss) income</b>	<b>(\$47,519)</b>	<b>(\$88,424)</b>	<b>(\$23,364)</b>	(\$30,753)	(\$26,649)	(\$35,529)	(\$21,400)	<b>(\$114,331)</b>	(\$24,377)	(\$37,582)	(\$4,388)	(\$17,548)	<b>(\$83,895)</b>	
Weighted average number of shares outstanding	<b>132,891</b>	<b>132,858</b>	<b>134,226</b>	141,660	142,626	139,808	130,298	<b>130,298</b>	102,407	120,188	129,964	133,620	121,545	
<b>Net loss per share</b>	<b>(\$0.36)</b>	<b>(\$0.67)</b>	<b>(\$0.17)</b>	(\$0.22)	(\$0.19)	(\$0.63)	(\$0.25)	<b>(\$0.88)</b>	(\$0.24)	(\$0.31)	(\$0.03)	(\$0.13)	<b>(\$0.69)</b>	

Source: Scilex Holding SEC filings, Rodman &amp; Renshaw estimates

**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. 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 January 23, 2025				
Company	Ticker	Rodman & Renshaw Rating	12 Month Price Target	Price
Scilex Holding Company	SCLX	Buy	13.00	0.44

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Distribution of Ratings Table as of January 23, 2025				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
BUY	60	88.24%	4	6.67%
HOLD	7	10.29%	0	0.00%
SELL	1	1.47%	0	0.00%
NOT RATED	0	0.00%	0	0.00%

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