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**(NASDAQ: SCLX)**

Price	\$0.44
52 Week Range	(\$0.38 - \$2.63)
<b>Price Target</b>	<b>\$14.00</b>
Market Cap (mil)	\$107.00
Shares out (mil)	243.31
3-Mo Avg Vol	1,981,664
Cash per share	\$0.07
Total Debt (mil)	\$98.97
Debt/Equity	(47.0)%

**Revenues (millions) \$**

Yr Mar	2023A		2024E		2025E	
	Actual	Curr	Prev	Curr	Prev	Prev
Jun	11A	11A	–	14E	13E	
Sep	13A	16A	–	21E	19E	
Dec	10A	14A	17E	23E	20E	
Mar	14A	16E	18E	24E	21E	
YEAR	47A	57E	62E	82E	74E	

**EPS \$**

Yr Mar	2023A		2024E		2025E	
	Actual	Curr	Prev	Curr	Prev	Prev
Jun	(0.18)A	(0.26)A	–	(0.08)E	(0.12)E	
Sep	(0.16)A	(0.13)A	–	(0.07)E	(0.10)E	
Dec	(0.28)A	(0.17)A	(0.10)E	(0.08)E	(0.10)E	
Mar	(0.20)A	(0.09)E	(0.10)E	(0.08)E	(0.10)E	
YEAR	(0.82)A	(0.54)E	(0.50)E	(0.30)E	(0.40)E	
P/E	NM	NM		NM		



**Scilex Holding Company**

**Buy**

**Estimate Change**

**Volatility: 5**

**Anticipating continued commercial growth & KDS2010 clinical development in 2025**

We recently spoke with SCLX management after their lat 3Q24 results were published and also discussed their 2025 outlook. The company's main development focus remains topline revenue growth for their three commercial products: 1) ZTlido (lidocaine topical system) 1.8% for neuropathic pain associated with post-herpetic neuralgia (PHN); 2) Elyxyb (celecoxib oral solution) for acute migraine; and 3) Gloperba (colchicine USP) for gout flares. Management anticipates continued growth for 2025 and is currently working on establishing international sales of ZTlido through their Middle East and North Africa (MENA) distribution agreements, with expectations to commence ZTlido distributions in 2H25. SCLX also recently entered into a joint venture with IPMC in Korea to add the KDS2010 candidate for Alzheimer's Disease (AD) and obesity into their pipeline. Two Phase 2 clinical trials for this candidate are currently underway, and a US Investigational New Drug (IND) application is expected to be submitted in 2H25 in order to commence clinical development in the US. Lastly, the company continues to work on alleviating their debt with Oramed Pharmaceuticals (ORMP, Not Rated). Management reiterated that they continue to plan to be debt-free by year-end 2025. We reiterate our Buy rating and \$14 price target based on Semdexa valued at \$12/share, and ZTlido, Elyxyb, and Gloperba valued at \$1.00/share. We value the remaining assets (SP-103, SP-104, and SP-105) and net cash (less debt, end-'25) at \$1.00/share.

**Net revenue growth expected in 2025 for commercial ZTlido, Elyxyb, and Gloperba products.** In 2024, SCLX focused heavily on expanding the growth of all three of their commercial products, with a combined net revenue of ~\$41M at the end of 3Q24. ZTlido sales contributed mostly to this positive revenue, considering both Elyxyb and Gloperba are in the initial stages of commercialization as they were launched in the US in April 2023 and June 2024, respectively. Management anticipates ~\$15-20M in net revenue for Elyxyb for migraines in 2025, with that range expected to increase once the acute pain indication is approved. On January 21, 2025, SCLX announced that they filed a Supplemental New Drug Application (SNDA) for Elyxyb in an acute pain indication. If ultimately approved, this would broaden Elyxyb's label to include both an acute migraine and an acute pain indication, expanding its commercial growth potential. For newly-launched Gloperba, management anticipates the potential for ~\$3-5M in net revenues in 2025 and ~\$15M in 2026, which they anticipate could grow as they increase their promotional efforts for this product.

**International expansion of ZTlido to commence in 2H25 through MENA distribution agreements.** In March 2023, SCLX announced that they entered into a territory distribution agreement with CH Trading Group to distribute ZTlido in the MENA region. This agreement also includes a \$105 million minimum purchase commitment over 5 years for CH Trading Group. Additionally, in April 2023, SCLX announced that they entered into a master distributor agreement with AD Ports Logistics, which is a subsidiary of the Logistics Cluster, AD Ports Group, a leading global facilitator of trade, logistics, and industry based in Abu Dhabi. This agreement allows for ZTlido to be distributed in the United Arab Emirates (UAE), Qatar, Bahrain, Kuwait, Oman, and Egypt, further broadening the outreach of this product globally. Once approval for ZTlido is granted in these regions, SCLX plans on starting its commercialization possibly in 2H25.

**Joint venture with IPMC adds new Phase 2 KDS2010 candidate for AD and obesity.** This past December, SCLX announced that they entered into a joint venture called Scilex Bio with the South Korean company IPMC, to acquire and develop KDS2010 (Tisolagiline), a reversible selective monoamine oxidase B (MAO-B) inhibitor formulated to target Alzheimer's and obesity. Two proof of concept Phase 2 clinical trials in AD and obesity, respectively, are currently ongoing in South Korea. SCLX is currently planning on filing an IND for this candidate in order to commence US patient enrollment for each of the two Phase 2 trials, possibly in 2H25. More details on this transaction and the KDS2010 candidate may be found in our previous note [here](#).

**Targeting retiring debt overhang in 2025.** On January 21, 2025, SCLX announced the extension of the maturity of their \$101.9M senior secured promissory note to ORMP from March 21, 2025, to December 31, 2025. Management notes that they reduced this debt in 2024, with the most recent payment including the \$13.2M early installment payment announced on December 16, 2024. Management remains focused on the goal of being debt-free by 4Q25.

**Reiterating Buy rating and \$14 price target.** Our price target is based on a sum-of-the-parts analysis. We value Semdexa at \$12/share, and ZTIido, Elyxyb, and Gloperba valued at \$1.00/share. We value the remaining assets (SP-103, SP-104, and SP-105) and net cash (less debt, end-'25) at \$1.00/share for our \$14 price target.

**Valuation:**

Our 12-18 month price target for SCLX is \$14/share based primarily on our expectations for Semdexa for sciatica pain. We model that SEMDEXA could get approved for sciatica pain in 2027, with end sales reaching \$1.25B by 2030 as it becomes standard of care for sciatica. We place a 5x multiple on those sales, discounted back 5 years at 15% for our \$12/share valuation. We model that ZTlido, Elyxyb and Gloperba sales reach \$74M by 2025. We place a 3x multiple on those sales for our \$1.00/share valuation. We value the remaining technology at SCLX (including S0-103 for neck pain, SP-104 for fibromyalgia, SP-105 for acute migraines, and KDS2010 for Obesity & Alzheimer's Disease) plus net cash (less debt, end-'FY25E) at \$1.00/share for our \$14/share price target.

**Risks to achievement of target price:**

**Exogenous events could impact our outlook.** We believe pharmaceutical companies have the least control over competitive, political, and regulatory risks. Although we have incorporated competitive assumptions into our forecasts, there may be other risks beyond the scope of our analysis. Changes in the drug reimbursement system, as well as any political or regulatory amendments, may significantly influence the earnings power of these companies.

**Actual clinical results and the FDA's conclusions may deviate from expectations.** Many of our assumptions are based on a review of incomplete clinical trial data available in the public domain. Often, our conclusions are drawn from early-stage data, which may not be reflected by pivotal studies. Furthermore, the FDA's conclusions may not coincide with our own, materially changing our revenue and earnings assumptions.

**Compliance issues, product recalls, and other mandates by regulatory authorities could materially change our expectations.** Regulatory compliance issues, ranging from accounting irregularities to defective manufacturing practices, could materially change our assumptions and earnings outlook. Unanticipated product recalls and labeling changes could also have adverse consequences on our earnings assumptions.

**Legal risks could lead to additional liabilities and revenue loss.** In addition to the expenses incurred by patent challenges, product liability and other legal suits could occur and lead to additional liabilities and revenue loss, which could substantially change our financial assumptions.

**Raising additional capital may cause dilution.** If additional funding is required through raises in equity offerings, or similar financial instruments shareholders' ownership interests will be diluted, and the terms of these new securities may include liquidation or other preferences that adversely affect shareholders' rights.

**COVID-19 Impact.** If the ongoing economic & social disruption of the response to the COVID-19 virus continues that could materially impact the company's ability to conduct clinical trials or regular business. Please see the company's SEC filings for a more comprehensive discussion of potential risks.

**Company description:**

Scilex Holdings (SCLX) is a revenue-generating company focused on developing and acquiring non-opioid pain management treatment options for both acute and chronic pain conditions. Their lead drug product is ZTlido, a 1.8% lidocaine topical system that is an FDA-approved prescription lidocaine topical product targeting neuropathic pain associated with postherpetic neuralgia (PHN), which is lasting pain following shingles. SCLX also possesses two other FDA-approved and marketed drug products, including ELYXYB (celecoxib oral solution) for the acute treatment of migraine with or without aura, as well as GLOPERBA (colchicine USP), a liquid oral version of the anti-gout medicine colchicine made for the prophylaxis of painful gout flares in adults. Alongside their marketed drug products, SCLX's clinical development pipeline also includes SEMDEXA (SP-102) for the treatment of pain associated with sciatica, SP-103 for chronic neck pain, SP-104 for fibromyalgia, and SP-105 to supplement ELYXYB and include an acute pain indication. SCLX's efforts in formulating non-opioid pain treatment options are of great importance as opioids are often utilized to broadly treat pain, despite their heightened risk for potential addiction and drug abuse, specifically in conditions that are chronic and require lifelong treatment. There were over 51M US adults reported who experienced chronic pain in 2021, and with over 6M people reported to have opioid use disorder (OUD) in the US in 2022, SCLX's pipeline further underlines the great need to continue formulating such treatment options for underserved patient populations.

Figure 1. Sum-of-the-Parts

Sum-of-the-parts valuation		
Segment	Valuation (000's)	Per share value
Semdexa for sciatica	\$3,169,502	\$12.00
ZTLido, Elyxb, Gloperba	\$245,250	\$1.00
Tech & Cash (end-'25)	\$231,682	\$1.00
<b>SUM</b>	<b>\$3,646,434</b>	<b>\$14.00</b>
Weighted shares out '25 (000)		261,652

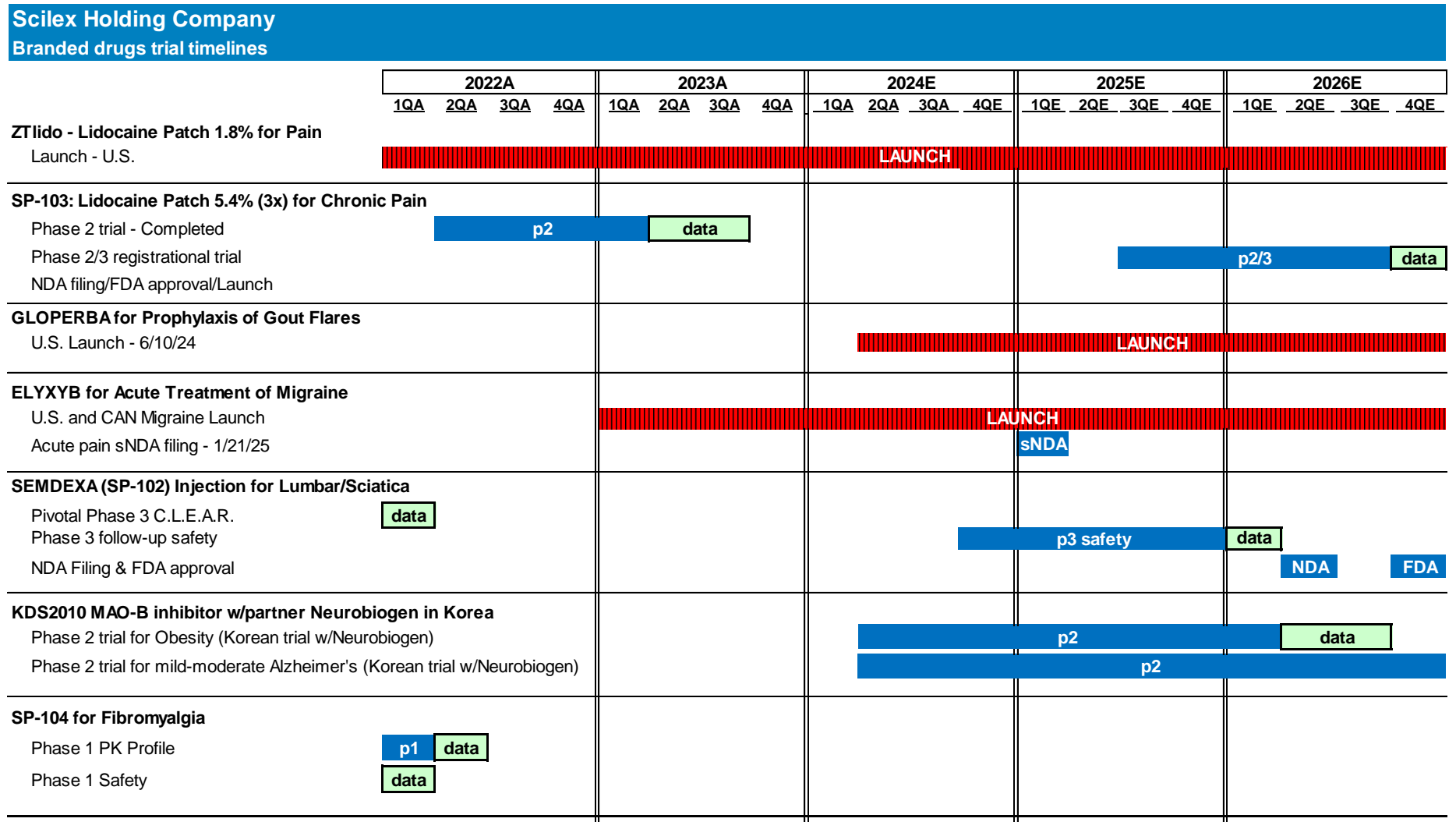
Source: AGP estimates

Figure 2. Variance Analysis

Scilex Holding Company Variance analysis					
(000's)					
	3Q23A	3Q24A	2Q24E	Variance	% Y/Y
ZTLido	9,562	12,586	15,500	(2,914)	32%
Elyxb	555	1,350	1,250	100	143%
Gloperba	0	500	1	499	NM
<b>Total Revenue</b>	<b>\$10,117</b>	<b>\$14,436</b>	<b>\$500</b>	<b>\$13,936</b>	<b>43%</b>
<b>Expenses</b>					NM
COGS	3,392	3,768	5,695	(1,927)	11%
<b>Gross profits</b>	<b>6,725</b>	<b>10,668</b>	<b>11,056</b>	<b>(388)</b>	<b>59%</b>
R&D	4,072	2,349	2,025	324	-42%
SG&A	40,431	29,734	26,000	3,734	-26%
<b>Adj Op Inc/(loss)</b>	<b>(37,778)</b>	<b>(21,415)</b>	<b>(16,969)</b>	<b>(4,446)</b>	<b>-43%</b>
Interest expense	513	576	575	1	12%
Inc tax exp/(benefit)	0	0	0	0	NM
<b>Adj Net inc/(loss)</b>	<b>(38,291)</b>	<b>(21,991)</b>	<b>(17,549)</b>	<b>(4,442)</b>	<b>-43%</b>
					NM
Total non-cash exp	(2,762)	(17,603)		(17,603)	537%
<b>NI (loss) - as reported</b>	<b>(35,529)</b>	<b>(4,388)</b>		<b>(4,388)</b>	<b>-88%</b>
Wgtd Avg Shares (M)	139,808	126,964	192,688	(65,724)	-9%
<b>Adjusted EPS</b>	<b>(\$0.27)</b>	<b>(\$0.17)</b>	<b>(\$0.82)</b>	<b>\$0.65</b>	<b>-37%</b>
<b>EPS as reported</b>	<b>(\$0.25)</b>	<b>(\$0.03)</b>			

Source: Company reports, AGP estimates

Figure 3: Potential clinical trial timelines



Source: Company reports; AGP estimates

Figure 4: Quarterly Income Statement

Scilex Holding Company										
Quarterly income statement										
(\$000 except per share)	2023A				2023A Year	2024E				2024E Year
	1QA	2QA	3QA	4QA		1QA	2QA	3QA	4QE	
<b>Revenues</b>										
ZTlido	\$10,477	\$12,250	\$9,562	\$12,449	\$44,738	\$10,065	\$15,138	\$12,586	\$13,500	\$51,288
Elyxyb	105	332	555	1,013	2,005	819	1,232	1,350	1,750	5,152
Gloperba								500	500	1,000
<b>Total revenues</b>	<b>\$10,582</b>	<b>\$12,582</b>	<b>\$10,117</b>	<b>\$13,462</b>	<b>\$46,743</b>	<b>\$10,884</b>	<b>\$16,370</b>	<b>\$14,436</b>	<b>\$15,750</b>	<b>\$57,440</b>
<b>Expenses</b>										
COGS	3,591	4,177	3,392	4,521	15,681	3,840	4,390	3,768	4,253	16,251
<b>Gross profits</b>	<b>6,991</b>	<b>8,405</b>	<b>6,725</b>	<b>8,941</b>	<b>31,062</b>	<b>7,044</b>	<b>11,980</b>	<b>10,668</b>	<b>11,498</b>	<b>41,190</b>
R&D	2,736	3,204	4,072	2,734	12,746	3,108	2,004	2,349	3,000	10,461
SG&A	28,701	26,989	40,431	23,520	119,641	29,278	24,598	29,734	31,000	114,610
Total Op exp	31,437	30,193	44,503	26,254	132,387	32,386	26,602	32,083	34,000	125,071
<b>Adj. Inc (loss) from ops</b>	<b>(24,446)</b>	<b>(21,788)</b>	<b>(37,778)</b>	<b>(17,313)</b>	<b>(101,325)</b>	<b>(25,342)</b>	<b>(14,622)</b>	<b>(21,415)</b>	<b>(22,503)</b>	<b>(83,882)</b>
Interest expense	(1)	5	513	551	1,068	531	571	576	575	2,253
Inc tax exp/(benefit)		(3)			13					0
<b>Adj. net income</b>	<b>(24,445)</b>	<b>(21,790)</b>	<b>(38,291)</b>	<b>(17,864)</b>	<b>(102,406)</b>	<b>(25,873)</b>	<b>(15,193)</b>	<b>(21,991)</b>	<b>(23,078)</b>	<b>(81,629)</b>
<b>Non-cash &amp; 1x exp</b>										
(Gain)/Loss on deriv liab	5,253	82	(4,245)	(578)	512	457	15,284	(18,108)		(2,367)
Change in FV debt + liabs	0	3,748	449	2,992	7,189	3,905	6,099	1,957		11,961
Intangible amort	1,027	1,026	1,027	1,026	4,106	1,027	1,001	1,002		3,030
FOREX loss	20	3	7	88	118	6	5	46		57
Debt extinguish										
Scilex notes prin increase										
Legal settlements						(6,891)		(2,500)		(9,391)
<b>NI/(loss) as reported</b>	<b>(30,745)</b>	<b>(26,649)</b>	<b>(35,529)</b>	<b>(21,392)</b>	<b>(114,331)</b>	<b>(24,377)</b>	<b>(37,582)</b>	<b>(4,388)</b>	<b>(23,078)</b>	<b>(84,919)</b>
<b>Adj. EPS</b>	<b>(\$0.17)</b>	<b>(\$0.15)</b>	<b>(\$0.27)</b>	<b>(\$0.18)</b>	<b>(\$0.79)</b>	<b>(\$0.25)</b>	<b>(\$0.13)</b>	<b>(\$0.17)</b>	<b>(\$0.09)</b>	<b>(\$0.54)</b>
<b>EPS as Reported</b>	<b>(\$0.22)</b>	<b>(\$0.19)</b>	<b>(\$0.25)</b>	<b>(\$0.22)</b>	<b>(\$0.88)</b>	<b>(\$0.24)</b>	<b>(\$0.31)</b>	<b>(\$0.03)</b>		<b>(\$0.56)</b>
weighted avg. shares										
(000)	141,660	142,626	139,808	97,098	130,298	102,407	120,188	126,964	251,964	150,381
Fully diluted shares (000)	189,828	190,794	187,976	145,266	178,466	156,603	194,899	208,015	333,015	231,432

Source: Company reports; AGP estimates

Figure 5: Annual Income Statement

<b>Scilex Holding Company</b>					
<b>Annual income statement</b>					
(\$'000 except per share)	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Revenues</b>					
ZTlido	\$44,738	\$51,288	\$64,500	\$74,175	\$85,301
Elyxyb	2,005	5,152	12,500	17,150	22,295
Gloperba		1,000	4,750	8,750	10,000
<b>Total revenues</b>	<b>\$46,743</b>	<b>\$57,440</b>	<b>\$81,750</b>	<b>\$100,075</b>	<b>\$117,596</b>
<b>Expenses</b>					
R&D	12,746	10,461	11,500	13,750	20,000
SG&A	119,641	114,610	128,000	130,000	152,500
Total Op exp	132,387	125,071	139,500	143,750	172,500
<b>Adj. Inc (loss) from ops</b>	<b>(101,325)</b>	<b>(83,882)</b>	<b>(79,823)</b>	<b>(69,695)</b>	<b>(85,479)</b>
<b>Non-cash &amp; 1x exp</b>					
Interest expense	1,068	2,253	2,350	2,425	3,500
Inc tax exp/(benefit)	13	0	0	0	0
<b>Adj. net income</b>	<b>(102,406)</b>	<b>(81,629)</b>	<b>(77,473)</b>	<b>(67,270)</b>	<b>(81,979)</b>
<b>Non-cash &amp; 1x exp</b>					
(Gain)/Loss on deriv liab	512	(2,367)	-	-	-
Change in FV debt + liabs	7,189	11,961	-	-	-
Intangible amort	4,106	3,030	-	-	-
Loss on FOREX	118	57	-	-	-
Debt extinguish	0	0	-	-	-
Scilex notes prin increase	0	0	-	-	-
Legal settlements	0	(9,391)	-	-	-
<b>NI/(loss) as reported</b>	<b>(114,331)</b>	<b>(84,919)</b>	<b>(77,473)</b>	<b>(67,270)</b>	<b>(81,979)</b>
<b>Adj EPS</b>	<b>(\$0.79)</b>	<b>(\$0.54)</b>	<b>(\$0.30)</b>	<b>(\$0.25)</b>	<b>(\$0.30)</b>
<b>EPS as reported</b>	<b>(\$0.88)</b>	<b>(\$0.56)</b>			
Weighted avg. shares (000)	130,298	150,381	261,652	268,214	275,714
Fully diluted shares (000)	178,466	231,432	341,652	358,214	370,714
<b>Cash &amp; equivalents</b>	<b>\$3,921</b>	<b>\$12,398</b>	<b>\$11,840</b>	<b>\$22,936</b>	<b>\$26,372</b>

Source: Company reports; AGP estimates

## Important Research Disclosures



Distribution of Ratings/IB Services

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	149	82.32	46	30.87
HOLD [NEUTRAL]	24	13.26	4	16.67
SELL [SELL]	2	1.10	1	50.00
NOT RATED [NR]	6	3.31	2	33.33
UNDER REVIEW [UR]	0	0.00	0	0

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The views expressed in this report (which include the actual rating assigned to the company as well as the analytical substance and tone of the report) accurately reflect the personal views of the analyst(s) covering the subject securities. An analyst's sector is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

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### Ratings



**Buy:** Expected to materially outperform sector average over 12 months and indicates total return of at least 10% over the next 12 months.

**Neutral:** Returns expected to be in line with sector average over 12 months and indicates total return between negative 10% and 10% over the next 12 months.

**Sell:** Returns expected to be materially below sector average over 12 months and indicates total price decline of at least 10% over the next 12 months.

**Not Rated:** We have not established a rating on the stock.

**Under Review:** The rating will be updated soon pending information disclosed from a near-term news event.

**Volatility Index**

**1 (Low):** Little to no sharp movement in stock price in a 12 month period

**2 (Low to medium):** Modest changes in stock price in a 12 month period

**3 (Medium):** Average fluctuation in stock price in a 12 month period

**4 (Medium to High):** Higher than average changes in stock price in a 12 month period

**5 (High):** Extremely sharp movements in stock price in a 12 month period

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