

Zacks Small-Cap Research

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Scilex Holding Company (SCLX-NASDAQ)

SCLX: 3Q Earnings Beat Estimates

SCLX is developing pain relief products that don't involve opioids. We currently value SCLX at \$6.25 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 announced 3Q2024 earnings that exceeded expectations and continues to look to grow revenues and its portfolio.

Current Price (01/20/25) \$0.45
Valuation \$6.25

SUMMARY DATA

52-Week High \$2.42
 52-Week Low \$0.39
 One-Year Return (%) -71.03
 Beta 1.06
 Average Daily Volume (sh) 1,187,072

Shares Outstanding (mil) 127
 Market Capitalization (\$mil) \$57
 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	14.4 E	14.9 E	56.6 E
2025	13.5 E	14.4 E	15.3 E	16.3 E	59.5 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	-0.03 A	-0.12 E	-0.70 E
2025	-0.12 E	-0.13 E	-0.15 E	-0.11 E	-0.51 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. And while that is an extremely important therapy, the company is not resting on past successes and continues to attempt to bring relief from various tragic conditions to patients.

The company recently announced its 3Q 2024 financial results that revealed that losses per share had declined substantially, from \$0.31/share in 2Q to \$0.03/share in the current quarter. Part of this improvement was due to a reduction in costs in the area that we like to see costs reduced—administrative expenses. We believe this is another good signal for company management. We were also pleased to a 54% y/y increase in the sales of ELYXYB and the beginning of sales of GLOPERBA—continuing a string of product and revenue expansion.

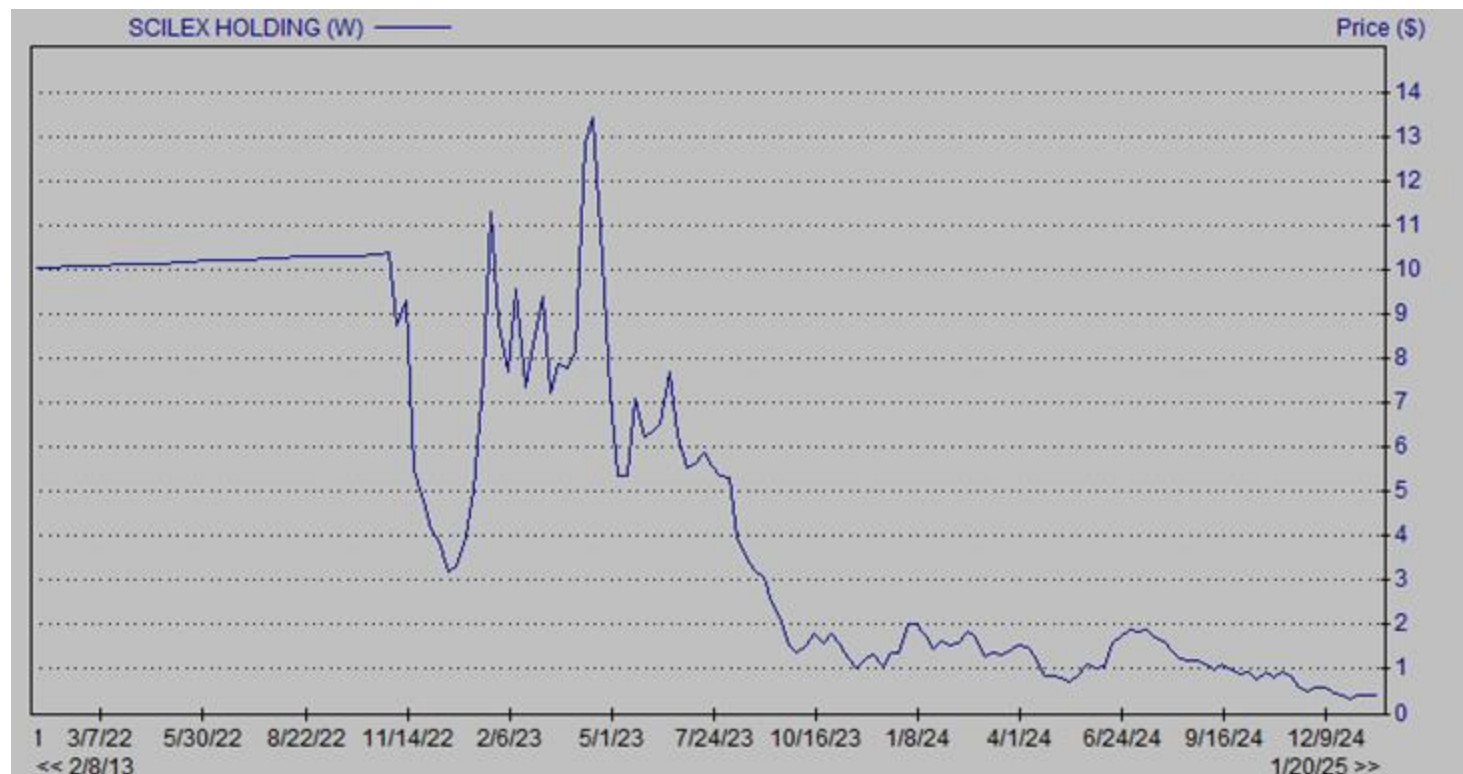
As a reminder, the company recently made a deal with NeuroBiogen to be the exclusive developer of KDS2010, an oral tablet product candidate that is currently in Phase 2 trials in obesity and Alzheimer's disease indications. With the weight loss drug market exploding in the past couple of years and the search for a treatment for Alzheimer's ramping up and becoming more desperate we believe this is a very beneficial move for SCLX. The company has proven, as we have written, that the company has multiple products already in the developmental pipeline and has proven the ability to navigate that process successfully.

These results 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 looking to limit costs and expand revenues 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.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Scilex Holding Company Income Statement and Balance Sheet								
(in thousands, except for per share amounts)								
	2023A	1Q2024A	2Q2024A	3Q2024A	4Q2024E	2025E	2026E	
Revenue	46,743	10,884	16,370	14,436	14,869	59,476	62,450	
Operating Costs								
Cost of revenue	15,681	3,840	4,390	3,768	3,881	17,843	18,735	
Research and development	12,746	3,108	2,004	2,349	2,466	9,866	10,359	
Selling, general and admin.	119,641	29,278	24,598	29,734	30,329	113,939	115,078	
Intangible amortization/Legal Settlements	4,106	(5,864)	1,001	(1,498)	10,467	4,024	4,064	
Total Operating Costs	152,174	30,362	31,993	34,353	47,143	145,671	148,236	
Gain/(loss) from operations	(105,431)	(19,478)	(15,623)	(19,917)	(32,274)	(86,195)	(85,786)	
Other (income)/expense								
Interest expense	1,068	531	571	576	518	2,074	2,115	
Other (gain)	7,819	4,368	21,388	(16,105)	(16,266)	(16,429)	(16,922)	
Total other (income)/expense	8,887	4,899	21,959	(15,529)	(15,748)	(14,355)	(14,806)	
Gain/(loss) before income taxes	(114,318)	(24,377)	(37,582)	(4,388)	(16,526)	(71,840)	(70,980)	
Income tax expense/(benefit)	9	0	0	0	0	0	0	
Net gain/(loss)	(114,327)	(24,377)	(37,582)	(4,388)	(16,526)	(71,840)	(70,980)	
Net gain/(loss) per share	\$ (1.28)	\$ (0.24)	\$ (0.31)	\$ (0.03)	\$ (0.12)	\$ (0.51)	\$ (0.48)	
Wtd avg. shares outstanding--basic and diluted	134,226	102,407	120,188	126,964	133,312	139,978	146,977	
Current assets:								
Cash and cash equivalents	3,921	1,818	6,888	77	81	85	89	
Accounts rec., net	34,597	29,716	38,004	31,580	27,568	27,568	27,568	
Inventory	4,214	3,486	3,073	2,404	3,110	3,110	3,110	
Other	4,049	2,725	2,453	5,794	4,447	4,447	4,447	
Total current assets	46,781	37,745	50,418	39,855	35,206	35,210	35,214	
Property and equipment	722	718	714	711	697	683	669	
Other long-term assets	53,806	52,777	53,412	59,864	53,806	54,344	54,888	
Total Assets	101,309	91,240	104,544	100,430	89,709	90,237	90,771	
Current liabilities:								
Accounts payable	40,954	45,946	41,787	43,400	44,702	46,043	47,424	
Accrued rebates and fees	89,658	104,088	125,063	141,709	143,126	144,557	146,003	
Other current liabilities	119,768	102,698	88,601	96,428	99,321	102,300	105,369	
Total current liabilities	250,380	252,732	255,451	281,537	287,149	292,901	298,797	
Long-term debt	17,038	2,780	2,667	2,556	2,556	2,556	2,556	
Other long-term liabilities	6,829	25,514	61,118	27,654	28,207	28,771	29,347	
Total liabilities	274,247	281,026	319,236	311,747	317,912	324,228	330,699	
Stockholder equity:								
Common and preferred stock and Treasury Stock	(90,506)	(90,505)	(90,504)	(85,492)	(90,506)	(90,586)	(90,586)	
Additional paid-in capital	407,813	415,341	426,165	430,767	439,382	448,170	457,133	
Accumulated deficit	(490,245)	(514,622)	(550,353)	(556,592)	(577,079)	(591,575)	(606,476)	
Total stockholders' equity/(deficit)	(172,938)	(189,786)	(214,692)	(211,317)	(228,203)	(233,991)	(239,928)	
Total liabilities and stockholders' equity/(deficit)	101,309	91,240	104,544	100,430	89,709	90,237	90,771	

HISTORICAL STOCK PRICE



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