

# Zacks Small-Cap Research

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## Scilex Holding Company (SCLX-NASDAQ)

### SCLX: Continuing to Grow its Pain Relief Business

SCLX is developing pain relief products that don't involve opioids. We currently value SCLX at \$4.75 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.

We believe SCLX is at the beginning of a rapid ramp higher, with new products in the pipeline and a dedicated sales team and manufacturing facility already in place. 3Q earnings indicate good investments in growth we believe is coming.

Current Price (11/14/23) **\$1.23**  
Valuation **\$4.75**

### SUMMARY DATA

52-Week High **\$14.80**  
52-Week Low **\$1.23**  
One-Year Return (%) **-86.63**  
Beta **0.68**  
Average Daily Volume (sh) **761,709**

Shares Outstanding (mil) **140**  
Market Capitalization (\$mil) **\$172**  
Short Interest Ratio (days) **N/A**  
Institutional Ownership (%) **78**  
Insider Ownership (%) **8**

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**

P/E using TTM EPS **N/A**  
P/E using 2023 Estimate **N/A**  
P/E using 2024 Estimate **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	10.3 E	43.6 E
2024	19.0 E	21.9 E	22.2 E	22.7 E	84.8 E
2025	28.5 E	29.0 E	30.0 E	30.9 E	118.4 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 E	-0.19 A	-0.63 A	-0.24 E	-1.28 E
2024	-0.15 E	-0.16 E	-0.16 E	-0.16 E	-0.63 E
2025	-0.12 E	-0.12 E	-0.12 E	-0.12 E	-0.48 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 80,000 Americans died in 2022 from the overuse of opioids and there is no doubt that a good number of those started their opioid use to reduce physical pain of various types.

Scilex recognizes this problem and is committed to developing and commercializing solutions. And this isn't a clinical stage company, although Scilex has several exciting products in the development pipeline. Scilex currently has one major product on the market—ZTlido, which is a topical pain-relieving patch that has better adhesion and better proven pain reduction than comparable products. Sales of ZTlido are increasing as more doctors become aware of the product and its benefits.

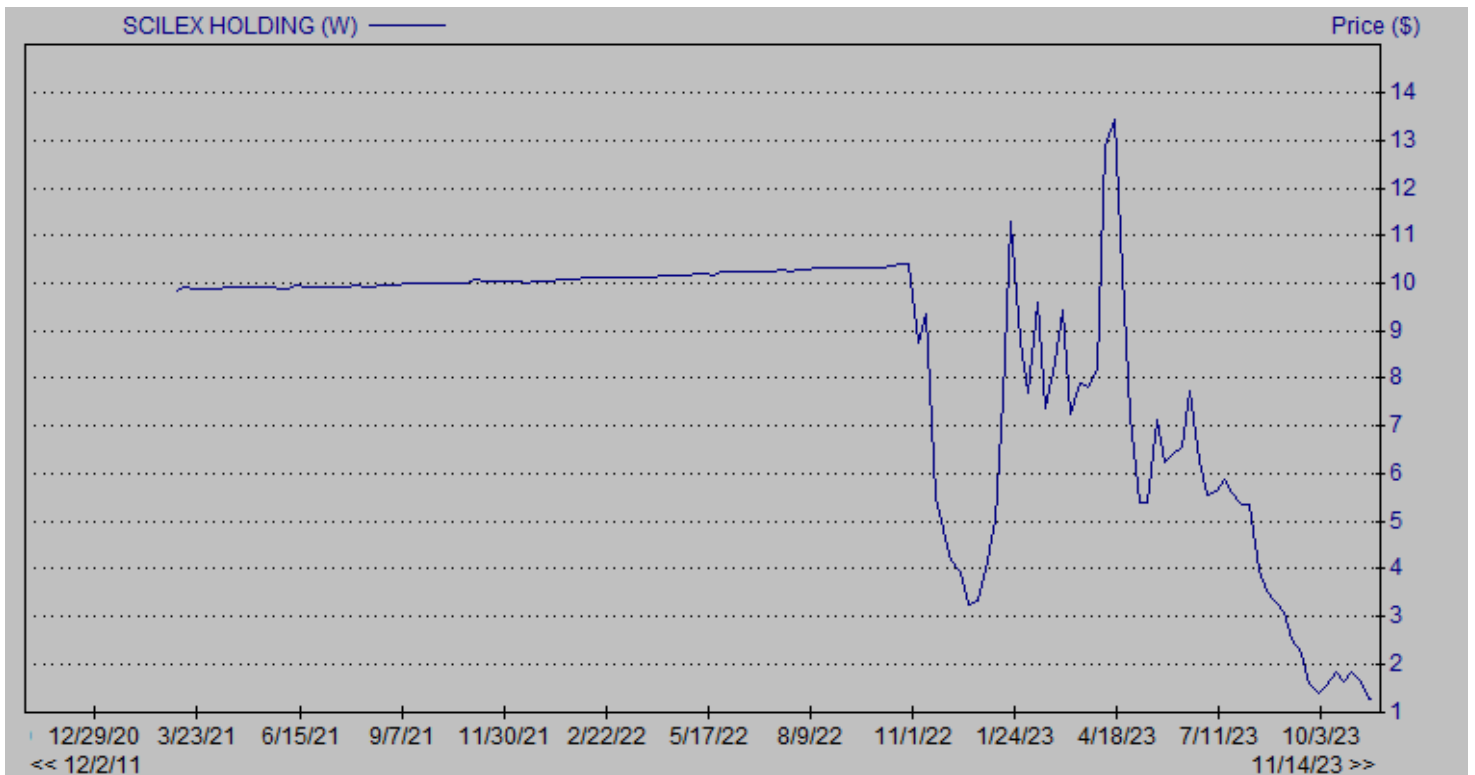
The company isn't just resting on the success that ZTlido is showing, but pushing to get more pain-relieving products into the market to help patients that need pain relief. One of the major characteristics of this company that we appreciate and believe adds to the value proposition in the infrastructure already in place for ZTlido that can easily accommodate future pain-relieving solutions. The company has a national sales force in place that will target many of the same doctors and distributors for all its products, meaning that won't have to add substantially to labor costs with the launch of each new product into the market. Additionally, the company has its manufacturing facility with its partner in Japan in place already with ZTlido. And that facility has seen the potential for added demand from Scilex and added capacity to meet future demand. This ability to scale up production and marketing without adding to costs in a substantive way leads us to believe that SCLX is poised to move higher as margins and profitability grow.

The company recently reported 3Q earnings that showed a loss of \$0.63 per share, which was a larger loss than anticipated but the miss was largely due to an increase in selling expenses, which we believe will ultimately benefit the company and enhance the investing case behind SCLX.

## PROJECTED INCOME STATEMENT & BALANCE SHEET

Scilex Holding Company Income Statement and Balance Sheet								
(in thousands, except for per share data)								
	2022A	1Q2023A	2Q2023A	3Q2023A	4Q2023E	2024E	2025E	
Revenue	38,034	10,582	12,582	10,117	10,319	84,755	118,399	
Operating Costs								
Cost of revenue	10,797	3,591	4,177	3,392	3,096	25,427	35,520	
Research and development	9,054	2,736	3,204	4,072	4,113	9,507	9,982	
Selling, general and admin.	64,895	28,701	26,989	40,431	40,835	136,956	138,326	
Intangible amortization	3,922	1,027	1,026	1,027	1,017	3,844	3,882	
Total Operating Costs	88,668	36,055	35,396	48,922	49,061	175,733	187,710	
Gain/(loss) from operations	(50,634)	(25,473)	(22,814)	(38,805)	(38,741)	(90,978)	(69,311)	
Other (income)/expense								
Interest expense	9,604	(1)	5	513	0	0	0	
Other (gain)	(36,878)	5,273	3,833	(3,789)	(3,865)	0	0	
Total other (income)/expense	(27,274)	5,272	3,838	(3,276)	(3,865)	0	0	
Gain/(loss) before income taxes	(23,360)	(30,745)	(26,652)	(35,529)	(34,876)	(90,978)	(69,311)	
Income tax expense/(benefit)	4	8	(3)	0	0	0	0	
Net gain/(loss)	(23,364)	(30,753)	(26,649)	(35,529)	(34,876)	(90,978)	(69,311)	
Net gain/(loss) per share	\$ (0.17)	\$ (0.22)	\$ (0.19)	\$ (0.63)	\$ (0.24)	\$ (0.63)	\$ (0.48)	
Wtd avg. shares outstanding--basic and diluted	134,226	141,660	142,626	139,808	142,604	144,030	145,471	
Current assets:								
Cash and cash equivalents	2,184	5,069	34,122	1,954	1,856	1,763	1,675	
Accounts rec., net	21,236	19,244	27,568	16,428	16,592	16,758	16,926	
Inventory	1,378	2,275	3,110	3,942	3,981	4,021	4,061	
Other	4,810	4,516	4,447	3,157	3,189	3,220	3,253	
Total current assets	29,608	31,104	69,247	25,481	25,619	25,763	25,915	
Property and equipment	772	762	760	769	761	754	746	
Other long-term assets	56,147	54,185	56,457	54,278	54,821	55,369	55,923	
Total Assets	86,527	86,051	126,464	80,528	81,201	81,886	82,584	
Current liabilities:								
Accounts payable	8,450	9,817	11,412	32,560	32,886	33,214	33,547	
Accrued rebates and fees	30,893	35,629	47,779	65,800	66,458	67,123	67,794	
Other current liabilities	5,499	19,156	44,392	130,220	131,522	132,837	134,166	
Total current liabilities	44,842	64,602	103,583	228,580	230,866	233,174	235,506	
Long-term debt	3,387	0	0	6,932	0	0	0	
Other long-term liabilities	2,059	10,373	12,464	7,685	7,762	7,839	7,918	
Total liabilities	50,288	74,975	116,047	243,197	238,628	241,014	243,424	
Stockholder equity:								
Common and preferred stock and Treasury Stock	17	18	18	(90,586)	(90,586)	(90,586)	(90,586)	
Additional paid-in capital	412,136	417,725	443,715	396,762	400,730	404,737	408,784	
Accumulated deficit	(375,914)	(406,667)	(433,316)	(468,845)	(467,570)	(473,279)	(479,038)	
Total stockholders' equity/(deficit)	36,239	11,076	10,417	(162,669)	(157,427)	(159,128)	(160,840)	
Total liabilities and stockholders' equity/(deficit)	86,527	86,051	126,464	80,528	81,201	81,886	82,584	

# HISTORICAL STOCK PRICE



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