

Scilex Holding Company (SCLX)
Rating: Buy

 Raghuram Selvaraju, Ph.D.
 212-916-3966
rselvaraju@hcwresearch.com
 Boobalan Pachaiyappan, Ph.D.
 646-975-6959
bpachaiyappan@hcwco.com
Multiple Elyxyb Advances; Unaudited 2023 Top-Line Results; Reiterate Buy

Stock Data		01/22/2024	
Price		\$1.55	
Exchange		NASDAQ	
Price Target		\$12.00	
52-Week High		\$16.90	
52-Week Low		\$0.90	
Enterprise Value (M)		\$280	
Market Cap (M)		\$245	
Shares Outstanding (M)		157.9	
3 Month Avg Volume		925,504	
Short Interest (M)		5.29	
Balance Sheet Metrics			
Cash (M)		\$2.0	
Total Debt (M)		\$37.7	
Total Cash/Share		\$0.01	
Book Value/Share		\$(1.73)	
EPS (\$) Diluted			
Full Year - Dec	2022A	2023E	2024E
1Q	--	(0.22)A	(0.17)
2Q	--	(0.19)A	(0.14)
3Q	--	(0.63)A	(0.11)
4Q	--	(0.21)	(0.08)
FY	(0.17)	(0.87)	(0.48)
Revenue (\$M)			
Full Year - Dec	2022A	2023E	2024E
1Q	--	10.6A	15.5
2Q	--	12.6A	22.5
3Q	--	10.1A	28.5
4Q	--	13.3	36.7
FY	38.0	46.6	103.1



Elyxyb submitted for approval in Canada; market access wins also apparent. Late last year, Scilex announced that it had filed a New Drug Submission (NDS) to Health Canada's Pharmaceutical Drugs Directorate, Bureau of Cardiology, Allergy and Neurological Sciences for the approval of Elyxyb® for acute treatment of migraine with or without aura in Canada. The Canadian migraine market is growing rapidly and has been projected to exceed \$400M in 2025, according to a Mordor Intelligence market research report. Clinicians in a recent market research study expressed their desire for fast and safe alternatives for two large pools of acute migraine patients—those who have an insufficient response to triptan therapy, and those who have contraindications to triptan use. The Elyxyb product profile mapped with a high degree of certainty to these stated unmet needs. In clinical studies, patients treated with the product achieved pain relief in as little as 15 minutes, and significant pain relief vs. placebo within 45 minutes in approximately 50% of patients. In mid-December 2023, Scilex also announced that a national leading pharmacy chain is to stock Elyxyb. Previously, Scilex announced a pharmacy initiative to stock the product for another leading U.S. pharmacy chain. Scilex is also in the process of negotiating similar stocking agreements with other pharmacy chains in the U.S. Scilex has also signed an insurance coverage agreement for Elyxyb with a national pharmacy benefit manager (PBM), for their Medicare population potentially expanding coverage of the product. We reiterate our Buy rating and 12-month price target of \$12.

ZTlido looks favorably positioned based on prescription data, while preliminary unaudited top-line revenue looks encouraging. According to data from Symphony Health, ZTlido® is the most prescribed non-opioid, branded pain treatment prescribed by pain specialists. ZTlido new prescription (NRx) market share grew to 14.2% in October 2023, vs. 11.8% in October 2022. ZTlido net sales for 2023 were in the range of \$46-52M. Total product net sales for 2023 were in the range of \$46.5-52.5M, compared to \$38M for 2022, or growth in the range of about 22% to 38%. Our full-year 2023 net sales estimate currently stands at \$46.6M vs. our previous estimate of \$44.6M. We maintain a full-year 2024 top-line forecast of \$103.1M.

Valuation and risks. We assess Scilex using a discounted cash flow (DCF)-based valuation methodology. This applies an 85% probability of approval to SEMDEXA (SP-102), while we assume 100% probability of approval for ZTlido, Elyxyb, Gloperba and SP-103. We utilize a 10% discount rate and 1.5% terminal growth rate. Our assumptions correspond to a total firm value of \$3.85B, which yields a price objective of \$12 per share assuming 313.7M fully diluted shares outstanding as of end-3Q24. Risks include, but are not limited to: (1) inability to achieve market traction with ZTlido, Elyxyb or Gloperba due to greater-than-anticipated competitive pressures or setbacks in obtaining reimbursement and formulary access; (2) failure to obtain regulatory approval in the U.S. for SEMDEXA or SP-103; (3) financial market risks; (4) broader macroeconomic risks related to U.S. government funding negotiations and ongoing geopolitical fallout related to the Ukraine and Middle Eastern conflicts; and (5) near- to medium-term dilution risk.

H.C. Wainwright & Co. 1868

Table 1: Scilex Holding Company (SCLX)—Historical Income Statements, Financial Projections

FY end December 31

\$ in thousands, except per share data

	2022A	2023E				2023E	2024E				2024E
		1QA	2QA	3QA	4QE		1QE	2QE	3QE	4QE	
Revenue											
Product revenue	38'034	10'582	12'582	10'117	13'278	46'559	15'507	22'457	28'476	36'706	103'146
Total revenue	38'034	10'582	12'582	10'117	13'278	46'559	15'507	22'457	28'476	36'706	103'146
Expenses											
Cost of product and service revenue	10'797	3'591	4'177	3'392	4'382	15'542	4'962	6'962	8'258	10'278	30'460
Research & development	9'054	2'736	3'204	4'072	4'100	14'112	4'200	4'400	4'500	4'900	18'000
Selling, general and administrative	64'895	28'701	26'989	40'431	38'000	134'121	40'000	40'000	40'000	40'000	160'000
Intangible amortization	3'922	1'027	1'026	1'027	1'000	4'080	1'000	1'000	1'000	1'000	4'000
Total expenses	88'668	36'055	35'396	48'922	47'482	167'855	50'162	52'362	53'758	56'178	212'460
Gain (loss) from operations	(50'634)	(25'473)	(22'814)	(38'805)	(34'204)	(121'296)	(34'655)	(29'905)	(25'282)	(19'472)	(109'314)
Other income/expense											
Interest income/expense	(9'604)	1	(5)	(513)	(1'900)	(2'417)	(1'800)	(1'390)	(950)	(430)	(4'570)
Gain (loss) on derivative liability	8'310	(5'253)	(82)	4'245	-	(1'090)	-	-	-	-	-
Scilex Notes principal / debenture fair value change	-	-	(3'748)	-	-	(3'748)	-	-	-	-	-
Loss (gain) on foreign currency exchange	(66)	(20)	(3)	(7)	-	(30)	-	-	-	-	-
Total investment income and other	27'274	(5'272)	(3'838)	3'276	(1'900)	(7'734)	(1'800)	(1'390)	(950)	(430)	(4'570)
Loss before provision for income taxes	(23'360)	(30'745)	(26'652)	(35'529)	(36'104)	(129'030)	(36'455)	(31'295)	(26'232)	(19'902)	(113'884)
Deferred income tax benefit	(4)	(8)	-	-	-	(8)	-	-	-	-	-
Net loss/income	(23'364)	(30'753)	(26'652)	(35'529)	(36'104)	(129'038)	(36'455)	(31'295)	(26'232)	(19'902)	(113'884)
Net loss per share (basic)	(0.17)	(0.22)	(0.19)	(0.63)	(0.21)	(0.87)	(0.17)	(0.14)	(0.11)	(0.08)	(0.48)
Net loss per share (diluted)	(0.17)	(0.22)	(0.19)	(0.63)	(0.21)	(0.87)	(0.17)	(0.14)	(0.11)	(0.08)	(0.48)
Weighted average number of shares outstanding (basic)	134'226	141'660	142'626	139'808	168'775	148'217	208'850	228'950	244'050	259'150	235'250
Weighted average number of shares outstanding (diluted)	134'226	141'660	142'626	139'808	168'775	148'217	208'850	228'950	244'050	259'150	235'250

Source: Company reports and H.C. Wainwright & Co. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

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.



Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of January 22, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	556	88.25%	140	25.18%
Neutral	62	9.84%	7	11.29%
Sell	0	0.00%	0	0.00%
Under Review	12	1.90%	5	41.67%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Raghuram Selvaraju, Ph.D. and Boobalan Pachaiyappan, Ph.D. , certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of Scilex Holding Company (including, without limitation, any option, right, warrant, future, long or short position).

As of December 31, 2023 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of Scilex Holding Company.

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

Mr. Selvaraju, who is [the][an] author of this report, is the Chairman of and receives compensation from Relief Therapeutics Holding SA, a Swiss, commercial-stage biopharmaceutical company identifying, developing and commercializing novel, patent protected products in selected specialty, rare and ultra-rare disease areas on a global basis ("Relief"). You should consider Mr. Selvaraju's position with Relief when reading this research report.

The Firm or its affiliates did not receive compensation from Scilex Holding Company for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in Scilex Holding Company as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.