

SCLX: Announced Preliminary 1Q24 ZTLido Revenue; Reiterate Buy Rating

Scilex (SCLX; Buy) announced preliminary, unaudited ZTLido gross and net sales for 1Q24. Gross sales are estimated at \$34M to \$38M, while net sales are expected to be in the range of \$12M-\$13M, which at the middle of the range, is ~20% below our \$15.7M estimate.

The company announced a plan to take measures to reduce both R&D and administrative expenses. Our estimates call for a reduction to \$5M (2024E) from \$12.7M (2023A) in R&D and to \$64M (2024E) from \$120M (2023A) in selling, general and administrative expenses.

We reiterate our Buy rating with a \$14/share 12-month Price Target on Scilex shares.

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Stock Data

Rating	Buy
Price Target	14.00
Exchange	NASDAQ
Price	1.15
52-Week High	14.86
52-Week Low	0.90
Cash (M)	4
Market Cap (M)	191
Shares Outstanding (M)	166
3 Month Avg Volume	923,600

Estimates

	2022A	2023A	2024E	
				(Prev.)
Revenue (M) \$ Year end: December				
Q1	-	10.6A	15.7E	-
Q2	-	12.6A	20.9E	-
Q3	-	10.1A	31.3E	-
Q4	-	13.5A	47.0E	-
FY	38.0A	46.7A	115E	-
EPS \$ Year end: December				
Q1	-	(0.22)A	(0.11)E	-
Q2	-	(0.19)A	(0.02)E	-
Q3	-	(0.63)A	0.05E	-
Q4	-	(0.25)A	0.15E	-
FY	(0.17)A	(0.88)A	0.08E	-

One Year Performance Chart



Valuation and Risks

We arrive at our twelve-month price target of \$14/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 \$11/share, according to our forecasts. 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 \$14/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.

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Related Companies Mentioned in this Report as of April 16, 2024				
Company	Ticker	Rodman & Renshaw Rating	12 Month Price Target	Price
Scilex Holding Company	SCLX	Buy	14.00	1.15

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Distribution of Ratings Table as of April 16, 2024				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
BUY	24	96.00%	1	4.17%
HOLD	1	4.00%	0	0.00%
SELL	0	0.00%	0	0.00%
NOT RATED	0	0.00%	0	0.00%

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