

# Scilex Holding Company (SCLX)

**COMPANY FLASH NOTE** 



# 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.

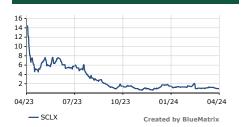
We reiterate our Buy rating with a \$14/share 12-month Price Target on Scilex shares.

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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			
			(Curr.)	(Prev.)		
Reve	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	A(88.0)	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.

**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.

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

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Distribution of Ratings Table as of April 16, 2024								
			IB Se	ervice/Past 12 Months				
Ratings	Count	Percent	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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