

Strategic Financing Eases Balance Sheet Pain and Expands Product Distribution Channels; Gloperba Rollout Newest Growth Driver; Reit. Buy, \$4 PT.

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STOCK DATA			
Market Cap (mil)	\$270.0		
52-Week Range	\$0.73–\$8.30		
3-Month ADTV	940,829		
Shares Outstanding (mil)	181.2		
Float (%)	65.3		
Short Interest	7,075,169		
Fiscal Year-End	December		
FINANCIAL DATA			
FY	2023A	2024E	2025E
EPS	\$(1.28)	\$(0.67)	\$(0.42)
BALANCE SHEET DATA			
	1Q24		
Cash & Equivalents	\$1.8		
Current Assets	\$37.7		
Total Assets	\$91.2		
Total Liabilities	\$281.0		
Total Debt	\$18.4		
Shareholders' Equity	\$(189.8)		
\$ in millions.			

Summary and Recommendation

On 6/11, SCLX (Buy, \$4 PT) announced a \$100M 5-year term strategic financing that essentially removes the key balance sheet overhang in form of existing \$85M Oramed senior secured loan (post \$15M/\$20M repayment in 1Q/2QE); thereby reducing significantly the ~\$20M cash outlay over the next 3 quarters to ~\$12M annual interest payment to service the new unsecured promissory note issued to new lender Perigrove LLC and Graf Holdings. Recall, Perigrove's portfolio companies (including co-invested ones), specialize in nursing home health plan, nursing facility real estate, in-home care solutions, and correctional healthcare settings, all of which may also allow SCLX to expand its distribution into a relatively fragmented end-market for its non-opioid pain product portfolio, i.e., ZTlido for post-herpetic neuralgia, Gloperba for gout, Elyxyb for migraine. Moreover, the recent dilutive raises totaling \$35M coupled with \$15M portion of strategic financing post Oramed repayment significantly improves company's capital position including allowance for retiring additional high-cost ST debt, e.g., eCapital Revolving Facility outstanding \$16.3M balance. SCLX also recently fully repaid the \$25M Convertible Debentures. Recent 1Q24 earnings' print, in form of 5/13 10-Q release, noted a net revenue of \$10.9M, ~20% q/q decline, which came slightly below our estimates of \$11.5M driven by larger than expected one-time weakness associated with Change Healthcare cyber-attack which mgmt. noted to have fully reversed with expectation for resumption of growth (near 4Q23 level) as ZTlido and Elyxyb benefit from improving gross-to-net (GTN) dynamics. While no formal FY24 net sales' guidance exists, mgmt. reiterated ZTlido net sales' re-acceleration expected given the impact of re-launch focus on gabapentin combination setting that now gets coupled with additional strategic Perigrove-related accounts. Elyxyb and Gloperba launch-related milestones, e.g., market access/reimbursement targeted, that builds on compelling clinical value indicate incremental net sales' contributions beginning 2H24+. Related commercial spend increase is offset by tapering off of litigation costs.

Key Points

Elyxyb's differentiated value story for acute migraine pain treatment extends beyond oral formulation; as it provides rapid onset, favorable safety/tolerability, and addresses the key pathway that is likely associated with central sensitization. Building on label advantage of having no cardiovascular-related contraindications, mgmt. highlighted an enthusiasm among clinicians for Elyxyb's cyclooxygenase-2-selective NSAID activity that's viewed to address allodynia (feeling of pain from non-pain stimuli) and central sensitization (brain hypersensitive to signal input).

- **American Headache Society (AHS'24) poster data indicate Elyxyb positioned nicely to provide best-in-disease symptomatic relief.** A poster presentation at the 66th AHS Annual Scientific Meeting on Jun 13 showed a post-hoc analysis of 2 independent Ph. III randomized, double-blind, placebo-controlled trials of Elyxyb. The pooled results showed Elyxyb's efficacy for acute treatment of migraine regardless of patients' treatment responsiveness to triptan, with one third of the Elyxyb-treated patients achieved pain freedom 2h postdose in both the insufficient responders group (33.3% vs. 14.3% placebo; OR 3.0, p=0.0036) and the responders group (33.3% vs. 14.6% placebo; OR 2.92, p=0.0548) (Exhibit 1). In a subgroup of patients whose headache did not (or only slightly) reduced at 2 h postdose to triptans, 32.0% of the Elyxyb group achieved pain freedom vs. placebo's 20.5% (Exhibit 1). This indicates Elyxyb well-positioned to improve pain outcomes in 60%-70% patients that do not achieve 2h pain freedom to triptans and that 40% patients who respond to triptans have recurrence.

(continued on pg. 2)

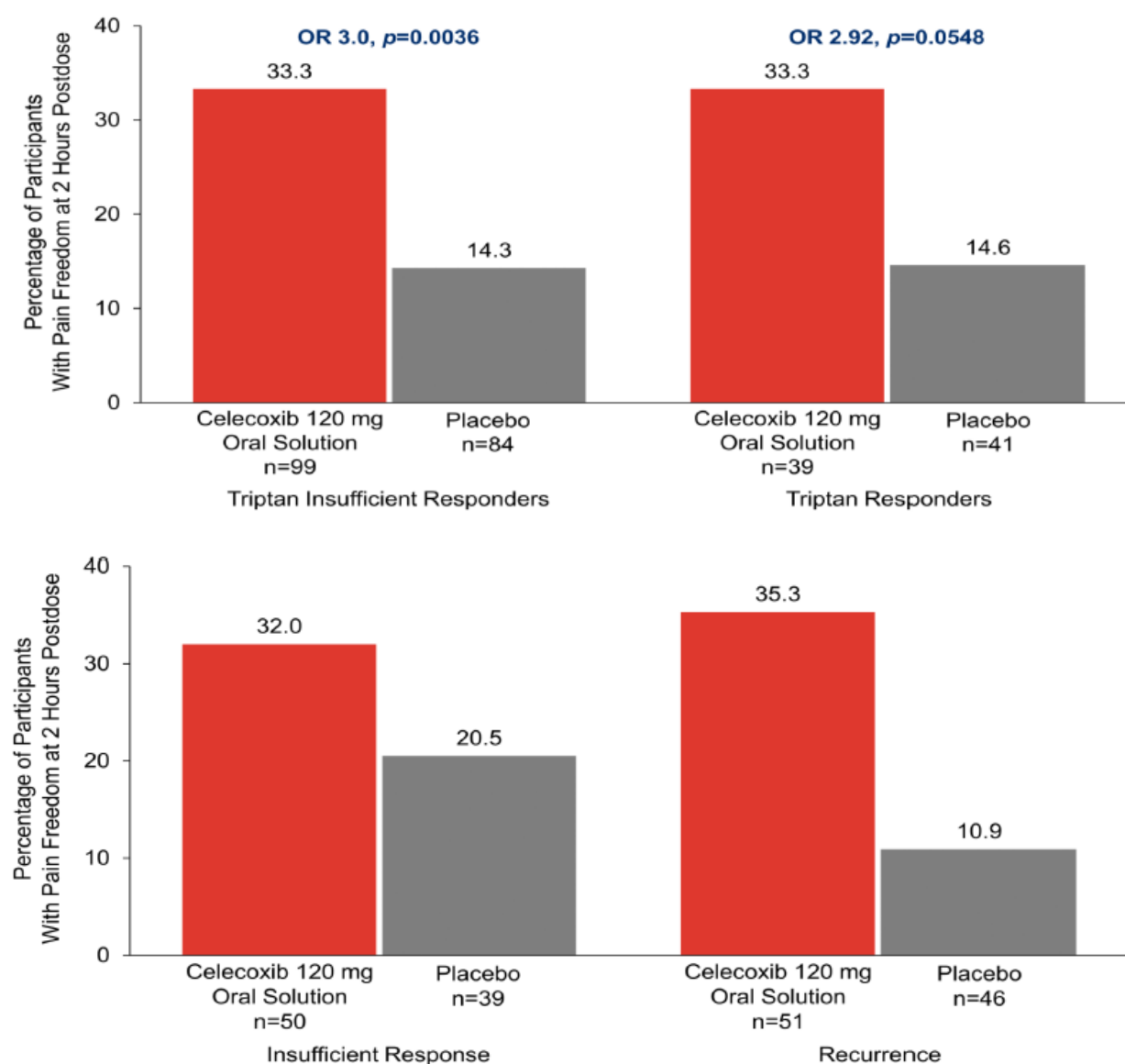
Analyst certification and important disclosures can be found on pages 7 - 10 of this report.

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- **Market research highlight Elyxyb's competitive differentiation vs. anti-CGRPs.** SCLX-sponsored market research results with neurologist, headache specialists, and primary care physicians (n=150) point to a considerable unmet need for a non-triptan therapy that has rapid onset ([11/24 Removal of Key Overhangs note](#)), which is also supported by a post-hoc indirect comparative analysis (not head-to-head) suggesting that 5X more patients achieving pain freedom at 1 hour than ABBV's Ubrovelvy (ubrogepant 100mg) and that ~2X more patients at 2 hours than PFE's Nurtec (rimegepant 75mg). This implies Elyxyb's preferable faster onset than "gepants," i.e., calcitonin gene-related peptide (CGRP) receptor antagonists, for acute treatment of migraine. Upside opportunity lies in SCLX's plans to (1) submit sNDA for Elyxyb for acute pain, and (2) conduct study in pediatric migraine. We noted that the recent addition of Elyxyb to the pool of a multi-state Medicaid purchasing group should result in higher uptake of Elyxyb, while co-pay plan availability is expected to drive significantly improved net sales' generation in 2024.

Recent Gloperba sNDA commercial manufacturing approval catalyzes an additional LT revenue driver. Gloperba, an oral solution form of colchicine for prophylaxis of painful gout flares, has now been launched (as of 6/10) and is currently being stocked in wholesalers and pharmacy chains. Gloperba's oral solution feature allows clinicians to do precise dosing in contrast to non-liquid colchicine, which is difficult to diminish dosing when needed, such as for CKD patients. It is estimated that >70% of gout patients may need dose adjustments. SCLX reported the market research showing that (1) rheumatologists could write more colchicine prescriptions with Gloperba due to its precise dosing mitigating the risk of toxicity issues, and (2) rheumatologists are likely to proceed with PA process to prescribe Gloperba for those who are at higher risk of colchicine toxicity.

Balance sheet fixes take centerstage amid broadly improving financial health of the biz. 1Q24 EPS of (\$0.24) came in below our/Street estimates of (\$0.15)/(\$0.12). R&D expenses of \$3.1M (+13.6% y/y) were lower than our/Street estimates of \$5.9M/\$4.3M, primarily due to an increase in SP-102 chemistry, manufacturing and controls (CMC) costs and costs related to the planning of ELYXYB post-marketing clinical trial, offset by a decrease in SP-103 related costs. SG&A expenses of \$29.3M (+2% y/y) were higher than our/Street estimates of \$27.5M/\$23.8M. SCLX plans to reduce R&D and other administrative expenses to enable expansion of the commercial and production activity for their products. 1Q24 net revenue of \$10.9M was lower than our/Street estimates of \$11.5M/\$15.7M. This resulted from mix of typical 1Q seasonality and expected one-time impact of Change Healthcare cyber-attack on the insurance claims. SCLX ended the quarter with cash and cash equivalents of \$1.8M. In Mar'24, SCLX announced that it paid off the remaining balance under the Yorkville Convertible Debentures of ~\$1.3M. Additionally, SCLX announced its early payment of \$15M in aggregate to the Oramed 18-month senior secured promissory note issued in September 2023, totaling \$20M repayment to the Oramed Note (principal amount \$101.875M). The remaining principal installments include three \$20M installments (June, September, and December 2024) and the final one in the entire remaining principal balance (payable on March 21, 2025), all of which could be assumed as settled in light of the recently secured Perigrove financing.

Exhibit 1. AHS'24 Data Indicate Elyxyb Benefit Across Triptan Insufficient Responders & Triptan Responders

^aSubgroups too small for statistical comparison.

Source: Lipton et al., SCLX poster presentation at AHS 2024

Valuation

We base our Buy rating and 12-month price target of \$4 per share on a discounted cash flow (DCF) analysis of revenue and cash flow projected through 2030. Our DCF analysis applies a WACC-calculated 11% discount rate and a 2% terminal growth rate, in line with other clinical-stage biotech companies. For 2030, the final projected year of our model, we forecast \$414M in total risk-adjusted revenue.

Risks

History of operating losses. The company has a history of operating losses. Although SCLX has achieved profitability (adjusted EBITDA) in recent quarters, there are no assurances that the company will meet its goals or be able to sustain profitability in future periods.

Financial results. The company has raised money via public offerings several times in the past and may need to do so again if it cannot sustain positive cash flow.

Adoption of assets. If the adoption of SCLX's various assets fails to materialize, or does so at a slower rate than we estimate, our valuation could be materially affected.

Unfavorable clinical trial data. If the products developed by company's spinouts are unable to produce favorable clinical data or are unable to receive regulatory approval, the opportunity for the products could diminish, and our valuation could be adversely affected.

Regulatory risks. The company's compounding facilities are regulated on both the state and federal levels and have seen significant regulatory changes in recent years. If new, unfavorable regulations are instituted, this could have a negative effect on SCLX's operations.

Limited capital. SCLX is a small company with limited resources, which may force it to scale back on aggressive sales and marketing efforts. SCLX may also need to raise capital to sustain operations, which could further dilute existing shareholders.

Intense competition. Many larger companies also focus on SCLX's markets. These companies could develop new, more effective technologies that could decrease SCLX's ability to obtain market share. They could force SCLX and its various spinouts into litigation, which could meaningfully impact FCF and potentially limit commercial opportunities.

Intellectual property. The strength, maintenance, and defense of SCLX's patents, trademarks, and other intellectual property are critical in protecting the company from patent infringement. Should certain key patents be found invalid or expire, this could prevent SCLX's products from reaching their peak commercial potential.

Loss of management and other key employees. The loss of certain employees and executives could disrupt operations and severely impact the company.

Scilex Holdings, Inc. (SCLX)
Income Statement

\$ in millions, except EPS	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Revenue	23.6	31.3	38.0	10.6	12.6	10.1	13.5	46.7	10.9	13.1	15.7	22.7	62.3	84.1	127.3
Product revenue	23.6	31.3	38.0	10.6	12.6	10.1	13.5	46.7	10.9	13.1	15.7	22.7	62.3	84.1	127.3
Cost of sales	(2.1)	(3.6)	(10.8)	(3.6)	(4.2)	(3.4)	(4.5)	(15.7)	(3.8)	(4.3)	(5.2)	(7.5)	(20.8)	(21.0)	(17.8)
Gross profit	21.4	27.7	27.2	7.0	8.4	6.7	8.9	31.1	7.0	8.8	10.5	15.2	41.5	63.1	109.5
Intangible Amortization	(3.7)	(3.7)	(3.9)	(1.0)	(1.0)	(1.0)	(1.0)	(4.1)	(1.0)	(1.1)	(1.2)	(1.4)	(4.8)	(5.2)	(5.8)
Legal settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.9	0.0	0.0	0.0	6.9	0.0	0.0
Research and development	(10.0)	(9.2)	(9.1)	(2.7)	(3.2)	(4.1)	(2.7)	(12.7)	(3.1)	(2.6)	(2.4)	(2.3)	(10.5)	(11.7)	(12.7)
Sales, general and administrative	(43.0)	(50.6)	(64.9)	(28.7)	(27.0)	(40.4)	(23.5)	(119.6)	(29.3)	(33.7)	(35.4)	(37.1)	(135.4)	(146.3)	(153.6)
Operating income (loss)	(35.3)	(35.8)	(50.6)	(25.5)	(22.8)	(38.8)	(18.3)	(105.4)	(19.5)	(28.7)	(28.5)	(25.6)	(102.3)	(100.2)	(62.5)
Change in fair value of derivative liabilities	0.0	(0.3)	8.3	(5.3)	(0.1)	4.2	0.6	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(1.9)	(2.1)	0.0
Change in fair value of debt and liability instruments	0.0	0.0	0.0	0.0	0.0	0.0	(7.9)	(7.2)	(3.9)	0.0	0.0	0.0	0.0	0.0	0.0
Gain on settlement of debt	0.0	(40.5)	28.6	0.0	(3.7)	(0.4)	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income (expenses)	(13.1)	(11.8)	(9.6)	0.0	(0.0)	(0.5)	(0.6)	(1.1)	(0.5)	(2.8)	(2.1)	(1.4)	(6.9)	(0.8)	0.0
Other income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Loss) gain on foreign currency exchange	0.0	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	0.0	0.0	0.0	(0.0)	(0.0)	0.0
Net income before income taxes	(47.6)	(88.4)	(23.4)	(30.7)	(26.7)	(35.5)	(21.4)	(114.3)	(24.4)	(32.0)	(31.1)	(27.5)	(111.1)	(103.0)	(62.5)
Provision for income taxes	0.1	(0.0)	(0.0)	(0.0)	0.0	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	(6.3)
Net income from continuing operations	(47.5)	(88.4)	(23.4)	(30.8)	(26.6)	(35.5)	(21.4)	(114.3)	(24.4)	(32.0)	(31.1)	(27.5)	(111.1)	(103.0)	(68.8)
Premium on redemption of Preferred Stock	0.0	0.0	0.0	0.0	0.0	(52.6)	0.0	(52.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deemed Dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (loss) to common stockholders	(47.5)	(88.4)	(23.4)	(30.8)	(26.6)	(88.2)	(21.4)	(167.0)	(24.4)	(32.0)	(31.1)	(27.5)	(111.1)	(103.0)	(68.8)
Basic EPS attributable to common stockholders	(0.36)	(0.67)	(0.17)	(0.22)	(0.19)	(0.63)	(0.22)	(1.28)	(0.24)	(0.18)	(0.17)	(0.14)	(0.67)	(0.42)	(0.26)
Diluted EPS attributable to common stockholders	(0.36)	(0.67)	(0.17)	(0.22)	(0.19)	(0.63)	(0.22)	(1.28)	(0.24)	(0.18)	(0.17)	(0.14)	(0.67)	(0.42)	(0.26)
Shares, basic (million)	132.89	132.86	134.23	141.66	142.63	139.81	97.10	130.30	102.41	181.19	181.64	194.81	165.01	246.66	262.71
Shares, diluted (million)	132.89	132.86	134.23	141.66	142.63	139.81	97.10	130.30	102.41	181.19	181.64	194.81	165.01	246.66	262.71

Cash Flow Statement

\$ in millions	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Net change in cash and cash equivalents	(50.9)	(0.5)	(2.2)	2.9	30.1	(33.1)	2.7	2.5	(2.0)	61.5	(31.4)	(28.0)	0.1	10.8	0.2
Cash and cash equivalents at beginning of period	55.5	4.8	4.3	2.2	5.1	35.1	2.0	2.2	4.7	2.8	64.3	32.9	4.7	4.8	15.6
Cash and cash equivalents at end of period	4.8	4.3	2.2	5.1	35.1	2.0	4.7	4.7	2.8	64.3	32.9	4.8	4.8	15.6	15.8
CASH FLOWS FROM OPERATING ACTIVITIES															
Consolidated net loss before income taxes	(47.5)	(88.4)	(23.4)	(30.8)	(26.6)	(35.5)	(21.4)	(114.3)	(24.4)	(32.0)	(31.1)	(27.5)	(111.1)	(103.0)	(68.8)
Adjustments to reconcile consolidated net loss to net cash used in operating activities:															
Depreciation and amortization	3.8	3.8	4.0	1.0	1.0	1.0	1.0	4.1	1.0	1.1	1.2	1.4	4.8	4.9	1.1
Amortization of debt issuance costs and debt discount	10.7	7.9	3.1	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Scilex Pharma Notes principal increase	0.0	28.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payment on the Scilex Pharma Notes attributed to accreted interest related to the debt discount	(10.9)	(12.5)	(21.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Gain) loss on debt extinguishment, net	0.0	12.5	(28.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-cash operating lease cost	0.8	0.4	0.5	0.1	0.0	0.2	0.2	0.5	0.2	0.2	0.2	0.4	1.0	0.9	0.9
Stock-based compensation	5.4	5.8	5.3	3.7	3.6	3.5	3.8	14.6	3.6	3.9	4.3	4.7	16.5	16.8	17.2
Issuance of shares under Settlement Agreement	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Gain) loss on derivative liability	(0.8)	0.3	(8.3)	5.3	0.1	(4.2)	(0.6)	0.5	0.5	0.5	0.6	0.6	2.1	2.2	2.2
Forfeitures of Private Warrants	0.0	0.0	1.7	0.0	3.7	0.4	(4.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Allocated expenses for warrant issuance cost	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0	0.0	0.0	1.4	0.0	0.0
Change in fair value of debt and liability instruments	0.0	0.0	0.0	0.0	0.0	0.0	7.2	7.2	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	(0.0)	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in operating assets and liabilities:															
Accounts receivables, net	(0.6)	(1.1)	(7.0)	2.0	(8.3)	11.1	(18.2)	(13.4)	4.9	(9.2)	(20.0)	(22.0)	(46.2)	(50.9)	(56.0)
Inventory	2.4	(1.4)	1.2	(0.9)	(0.8)	(0.8)	(0.3)	(2.8)	0.7	(1.0)	(1.1)	(1.2)	(2.5)	(2.8)	(3.1)
Prepaid expenses and other	(1.0)	1.5	(2.6)	0.3	(0.3)	1.1	(1.5)	(0.4)	(0.0)	(0.3)	(0.4)	(1.7)	(2.4)	(2.6)	(2.9)
Other long-term assets	2.6	0.0	0.4	1.0	(0.2)	0.0	0.1	0.9	(0.0)	1.1	0.0	0.1	1.1	1.2	1.4
Accounts payable	(4.1)	(3.8)	2.8	2.0	2.3	7.2	8.4	19.9	1.3	2.2	2.4	2.7	8.6	9.4	10.3
Accrued payroll	1.2	(0.0)	(2.4)	0.4	1.0	0.4	(0.5)	1.3	1.0	1.2	1.3	(2.1)	1.4	1.5	1.6
Accrued expenses	(1.1)	0.7	(0.1)	3.5	(2.0)	4.0	(3.2)	2.3	1.1	1.2	1.4	1.5	5.2	5.3	5.4
Accrued rebates and fees	3.1	(0.3)	23.5	4.7	12.2	18.0	23.9	58.8	14.4	14.7	15.0	15.3	59.5	60.7	61.9
Other liabilities	(0.6)	(0.1)	(0.4)	(0.2)	(0.2)	(0.2)	(0.2)	(0.7)	(0.2)	(0.2)	(0.2)	(0.3)	(0.9)	(1.0)	(1.1)
Related party payable	5.1	18.2	30.1	0.0	1.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by/(used in) operating activities	(31.5)	(28.7)	(21.3)	(7.7)	(13.5)	5.9	(5.4)	(20.7)	9.4	(16.5)	(26.4)	(28.0)	(61.6)	(57.4)	(29.8)
CASH FLOWS FROM INVESTING ACTIVITIES															
Acquisition consideration paid in cash for Romeg intangible asset acquisition	0.0	0.0	(2.1)	0.0	0.0	(0.1)	(0.2)	(0.3)	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0
Purchase of property and equipment	(0.3)	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by/(used in) investing activities	(0.3)	0.0	(2.1)	0.0	(0.0)	(0.2)	(0.2)	(0.3)	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0
CASH FLOWS FROM FINANCING ACTIVITIES															
Proceeds from issuance of shares under Standby Equity Purchase Agreements	0.0	0.0	0.0	1.7	14.5	11.4	7.9	35.5	0.2	0.0	0.0	0.0	0.2	0.0	0.0
Proceeds from issuance of common stock related to at-the-market offering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	20.0	90.0
Proceeds from issuance of convertible debentures	0.0	0.0	0.0	9.6	14.4	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of convertible debentures	0.0	0.0	0.0	0.0	0.0	(11.0)	(4.7)	(15.6)	(4.4)	0.0	0.0	0.0	(4.4)	0.0	0.0
Proceeds from issuance of Revolving Facility	0.0	0.0	0.0	0.0	0.0	52.6	33.8	86.4	32.6	0.0	0.0	0.0	32.6	0.0	0.0
Repayment of Revolving Facility	0.0	0.0	0.0	0.0	0.0	(45.3)	(23.7)	(69.0)	(33.3)	0.0	0.0	0.0	(33.3)	0.0	0.0
Proceeds from the Business Combination	0.0	0.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction costs paid related to the Business Combination	0.0	0.0	(2.9)	(0.6)	(0.7)	0.0	0.0	(1.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursement of funds to Sorrento	0.0	0.0	0.0	0.0	0.0	(20.0)	0.0	(20.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash consideration paid in connection with share repurchase	0.0	0.0	0.0	0.0	0.0	(10.0)	0.0	(10.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transaction costs paid in connection with share repurchase	0.0	0.0	0.0	0.0	0.0	(2.0)	0.0	(2.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of principal on the Scilex Pharma Notes	(58.9)	(33.4)	(84.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of principal on Oramed Notes	0.0	0.0	0.0	0.0	0.0	0.0	(5.0)	(5.0)	(15.0)	(20.0)	(20.0)	(20.0)	(75.0)	(21.9)	0.0
Proceeds from sale of common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0	15.0	0.0	0.0	25.0	0.0	0.0
Payments of common stock issuance costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	(2.0)	0.0	0.0	(3.2)	0.0	0.0
Repayment on other loans	0.0	(48.8)	(18.8)	0.0	(2.5)	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from Perigore loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	85.0	15.0	0.0	100.0	0.0	0.0
Proceeds from other loans	11.0	47.8	9.9	0.0	17.5	(17.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payments of debt issuance costs	0.0	0.0	0.0	0.0	(0.4)	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from stock options and warrants exercised	0.1	0.0	0.1	0.0	0.7	0.4	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from related party payable	18.4	47.9	51.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from related party note payable	10.3	14.7	62.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by/(used in) financing activities	(19.2)	28.2	21.2	10.6	43.5	(38.9)	8.3	23.6	(11.2)	78.1	(5.0)	0.0	61.9	68.1	30.0

Scilex Holdings, Inc. (SCLX) DCF analysis												Mayank Mamtani B. Riley Securities +1 (646) 885-5463 mmamtani@brileyfin.com
Fiscal year	2020A	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Terminal value
Fiscal year end date	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	
Revenues	\$ 23.6	\$ 31.3	\$ 38.0	\$ 46.7	\$ 62.31	\$ 84.12	\$ 127.31	\$ 171.15	\$ 226.57	\$ 304.69	\$ 414.39	
Cost of product sales	\$ (2.1)	\$ (3.6)	\$ (10.8)	\$ (15.7)	\$ (20.81)	\$ (21.03)	\$ (17.82)	\$ (23.96)	\$ (31.72)	\$ (42.66)	\$ (58.01)	
Gross Profit	\$ 21.4	\$ 27.7	\$ 27.2	\$ 31.1	41.5	63.1	109.5	147.2	194.9	262.0	356.4	
Intangible Amortization	\$ (3.7)	\$ (3.7)	\$ (3.9)	\$ (4.1)	\$ (4.8)	\$ (5.2)	\$ (5.8)	\$ (6.3)	\$ (7.0)	\$ (7.7)	\$ (8.4)	
R&D expense	\$ (10.0)	\$ (9.2)	\$ (9.1)	\$ (12.7)	\$ (10.5)	\$ (11.7)	\$ (12.7)	\$ (10.8)	\$ (10.2)	\$ (9.7)	\$ (9.2)	
SG&A expense	\$ (43.0)	\$ (50.6)	\$ (64.9)	\$ (119.6)	\$ (135.4)	\$ (146.3)	\$ (153.6)	\$ (156.6)	\$ (159.8)	\$ (163.0)	\$ (166.2)	
Total operating expenses	\$ (56.7)	\$ (63.5)	\$ (77.9)	\$ (132.4)	\$ (145.9)	\$ (158.0)	\$ (166.3)	\$ (167.4)	\$ (170.0)	\$ (172.7)	\$ (175.5)	
Operating income (EBIT)	\$ (35.3)	\$ (35.8)	\$ (50.6)	\$ (101.3)	\$ (104.4)	\$ (94.9)	\$ (56.8)	\$ (20.2)	24.8	89.3	180.9	
Taxes	0.1	(0.0)	-	-	-	-	(6.3)	(2.7)	1.8	8.2	36.2	
After tax operating income	(35.3)	(35.8)	(50.6)	(101.3)	(104.4)	(94.9)	(50.5)	(17.6)	23.0	81.2	144.7	
(+) depreciation and amortization	14.4	11.7	7.1	4.2	4.8	4.9	1.1	1.2	1.3	1.4	5.0	
(-) capital expenditures	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(-) change in working capital	(7.1)	(13.6)	(45.7)	(65.8)	(23.6)	(20.8)	(17.6)	(14.0)	(9.9)	(5.3)	(0.1)	
(+) deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(+) other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Unlevered free cash flow	(27.7)	(37.7)	(89.2)	(162.9)	(123.2)	(110.8)	(67.0)	(30.4)	14.5	77.3	149.6	
Time period (years)					0.58	1.58	2.58	3.58	4.58	5.58	6.58	
Discount factor					0.94	0.85	0.76	0.69	0.62	0.56	0.50	
PV					(115.9)	(93.9)	(51.2)	(20.9)	9.0	43.2	75.3	
EV	698.53											
+ Cash and Cash equivalents	1.82											
Company value	700.35											
- Long-term debt	18.4											
Equity value	\$682											
Fully diluted shares outstanding	181.2											
Price/share	\$ 4.00											
WACC	11.0%											
Terminal growth rate	2.0%											
Assumptions												
Date	6/13/2024											
Fiscal year ending (1-12)	12											
Fiscal year ending (month)	December											
Projections discounted to (1-12)	12.00											
Projections discounted to (month)	December											
Shares outstanding	181.190											
WACC Calculations												
Risk-free rate	2.0%											
Adjusted beta	1.3											
Rm-Rf	7.0%											
Re	11.0%											
Rd	0.0%											
WACC, calculated	11.0%											
Balance Sheet												
Total debt	18.39											
Cash and equivalents	1.82											
Net debt	16.57											
Debt, as a % of equity	6.81%											
Cash per share	0.01											
Closing price, 06-13-24	\$ 1.49											
Closing market cap, 06-13-24	\$ 269.97											

Shares (10-Q, May 13, 2024)	Dilution
0,000 shares, on exercise of convertible notes	0.000 shares \$0.00 WAEP 0.000
33,267,000 shares, on exercise of stock options	33.267 shares \$4.36 WAEP 0.000
42,967,692 shares, on exercise of warrants	42.968 shares \$1.88 WAEP 0.000
0,000 shares, on exercise of unvested RSUs	0.000 shares \$0.00 WAEP 0.000
Possible dilution (million shares)	0.000

PV of Terminal Value 853.04

*Closing price of last trading day immediately prior to the date of this publication unless otherwise indicated.

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