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Zacks Small-Cap Research

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Scilex Holding Company (SCLX-NASDAQ)

SCLX: Beats on Revenue Estimate

SCLX is developing pain relief products that don't involve opioids. We currently value SCLX at $4.50 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 continue to believe that SCLX is at the beginning of a rapid ramp higher. That belief is enhanced by the annual report that shows growing revenues that bested expectations.

Current Price (03/11/24)	$1.40
Valuation	**$4.50**

SUMMARY DATA

52-Week High	**$14.80**
52-Week Low	**$0.95**
One-Year Return (%)	**-81.96**
Beta	**0.76**
Average Daily Volume (sh)	**1,301,962**
Shares Outstanding (mil)	**163**
Market Capitalization ($mil)	**$221**
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	13.5 A	46.8 A
2024	21.0 E	21.9 E	22.2 E	23.1 E	88.2 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	-0.25 A	-1.28 A
2024	-0.10 E	-0.11 E	-0.12 E	-0.10 E	-0.43 E
2025	-0.10 E	-0.07 E	-0.07 E	-0.08 E	-0.32 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 112,000 Americans died in 2023 from overdoses and there we have no doubt that a good number of those involved opioid use at some point to reduce physical pain of various types.

Scilex continues to grow its product offerings and distribution channels, leading to more patients being helped and more revenue coming in. Proof of the progress the company is making came in the form of the annual report, which showed improving revenue and a greater commitment to its marketing team, which we continue to believe will pay off in the coming quarters as the company brings new products to market. Specifically:

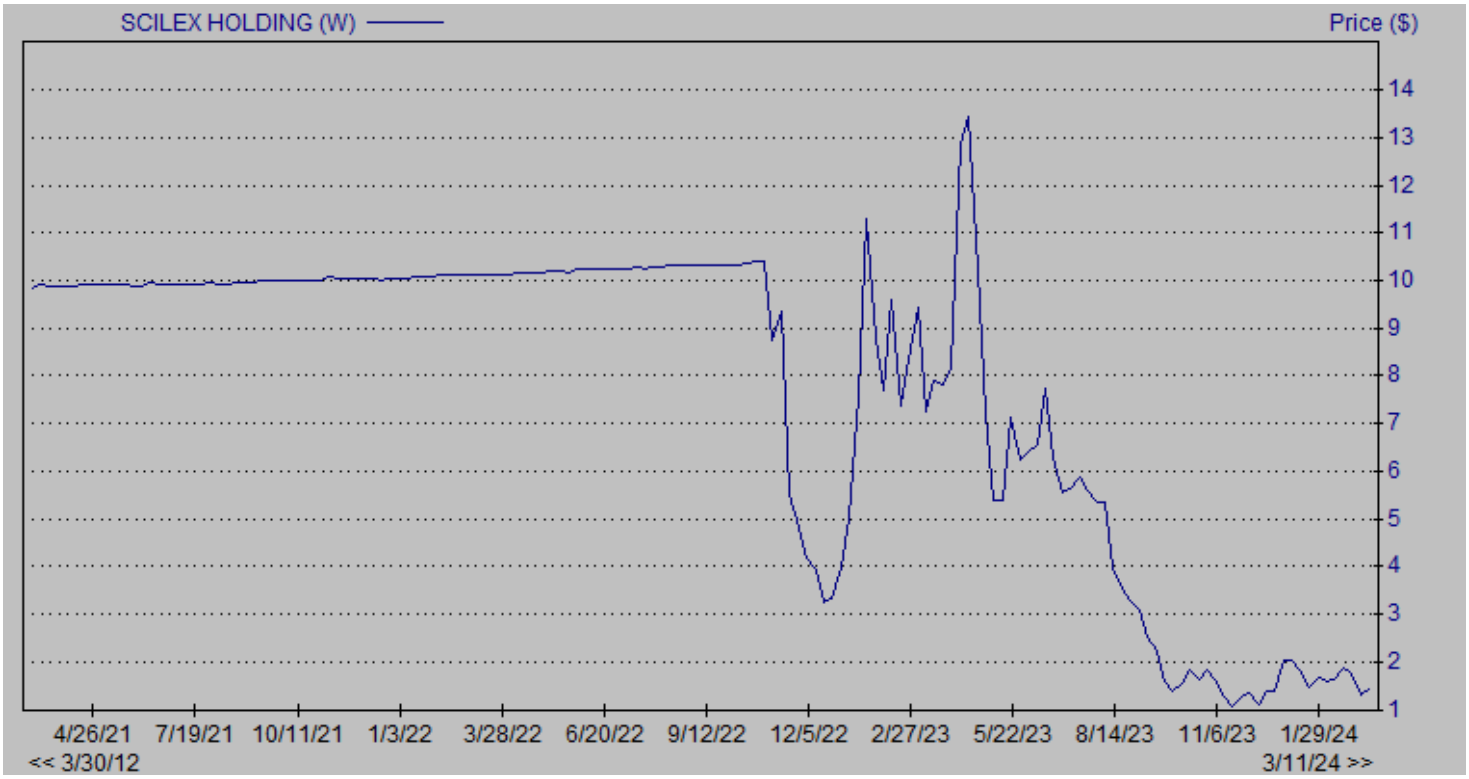
- Revenues grew close to 23% year over year, beating our expectations.
- Selling costs increased significantly, resulting in a bigger loss per share, but we believe that is a cost worth taking as the company is already seeing sales increase from the bigger commitment to marketing.
- Prescription of Ztlido, the company's main product, increased more than 25.3% in 2023 over 2022.
- The company is preparing to launch a new gout treatment in 2024.
- The company is expecting to expand markets Elyxyb, the company's oral solution for the acute treatment of migraine, in 2024.

These results and plans for the future reinforce our belief that SCLX is poised to resume its move higher and that investors continue to underestimate the value of treatments the company currently has and is developing. We urge investors to take a look at a company that is earning revenue, growing that revenue in a meaningful way, and adding to its portfolio of very important treatments before the rest of the investing community realized the story developing at Scilex.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Scilex Holding Company Income Statement and Balance Sheet (in thousands, except for per share data)							
	2022A	**1Q2023A**	**2Q2023A**	**3Q2023A**	**4Q2023A**	**2024E**	**2025E**
Revenue	38,034	10,582	12,582	10,117	13,462	88,212	118,399
Operating Costs							
Cost of revenue	10,797	3,591	4,177	3,392	4,521	26,464	35,520
Research and development	9,054	2,736	3,204	4,072	2,734	9,507	9,982
Selling, general and admin.	64,895	28,701	26,989	40,431	23,520	119,641	120,837
Intangible amoritization	3,922	1,027	1,026	1,027	1,026	3,844	3,882
Total Operating Costs	88,668	36,055	35,396	48,922	31,801	159,455	170,221
Gain/(loss) from operations	(50,634)	(25,473)	(22,814)	(38,805)	(18,339)	(71,243)	(51,822)
Other (income)/expense							
Interest expense	9,604	(1)	5	513	551	0	0
Other (gain)	(36,878)	5,273	3,833	(3,789)	2,502	0	0
Total other (income)/expense	(27,274)	5,272	3,838	(3,276)	3,053	0	0
Gain/(loss) before income taxes	(23,360)	(30,745)	(26,652)	(35,529)	(21,392)	(71,243)	(51,822)
Income tax expense/(benefit)	4	8	(3)	0	4	0	0
Net gain/(loss)	(23,364)	(30,753)	(26,649)	(35,529)	(21,396)	(71,243)	(51,822)
Net gain/(loss) per share	$ (0.17)	$ (0.22)	$ (0.19)	$ (0.63)	$ (0.25)	$ (0.43)	$ (0.32)
Wtd avg. shares outstanding--basic and diluted	134,226	141,660	142,626	139,808	130,298	163,882	163,882
Current assets:							
Cash and cash equivalents	2,184	5,069	34,122	1,954	3,921	3,725	3,539
Accounts rec., net	21,236	19,244	27,568	16,428	34,597	34,943	35,292
Inventory	1,378	2,275	3,110	3,942	4,214	4,256	4,299
Other	4,810	4,516	4,447	3,157	4,049	4,089	4,130
Total current assets	29,608	31,104	69,247	25,481	46,781	47,014	47,260
Property and equipment	772	762	760	769	722	715	708
Other long-term assets	56,147	54,185	56,457	54,278	53,806	54,344	54,888
Total Assets	86,527	86,051	126,464	80,528	101,309	102,072	102,855
Current liabilities:							
Accounts payable	8,450	9,817	11,412	32,560	40,954	41,364	41,777
Accrued rebates and fees	30,893	35,629	47,779	65,800	89,658	90,555	91,460
Other current liabilities	5,499	19,156	44,392	130,220	119,768	120,966	122,175
Total current liabilities	44,842	64,602	103,583	228,580	250,380	252,884	255,413
Long-term debt	3,387	0	0	6,932	17,038	17,166	17,220
Other long-term liabilities	2,059	10,373	12,464	7,685	6,829	6,897	6,966
Total liabilities	50,288	74,975	116,047	243,197	274,247	276,947	279,599
Stockholder equity:							
Common and preferred stock and Treasury Stock	17	18	18	(90,586)	(90,506)	(90,586)	(90,586)
Additional paid-in capital	412,136	417,725	443,715	396,762	407,813	411,891	416,010
Accumulated deficit	(375,914)	(406,667)	(433,316)	(468,845)	(490,245)	(496,180)	(502,168)
Total stockholders' equity/(deficit)	36,239	11,076	10,417	(162,669)	(172,938)	(174,875)	(176,744)
Total liabilities and stockholders' equity/(deficit)	86,527	86,051	126,464	80,528	101,309	102,072	102,855

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