Sol-Gel Technologies Reports Fourth Quarter and Full Year 2017 Financial Results

March 26, 2018

NESS ZIONA, Israel, March 26, 2018 (GLOBE NEWSWIRE) -- Sol-Gel Technologies Ltd. (NASDAQ:SLGL) ("Sol-Gel" or the "Company"), a clinical-stage dermatology company focused on identifying, developing and commercializing branded and generic topical drug products for the treatment of skin diseases, today announced financial results for the fourth quarter and year ended December 31, 2017 and provided an update on its clinical development programs.

"2017 was an exciting year for Sol-Gel as we prepared for our initial public offering which we completed at the beginning of this year. The funding will allow us to advance our pipeline of branded dermatology drug candidates in acne vulgaris and subtype II rosacea," stated Dr. Alon Seri-Levy, Co-founder and Chief Executive Officer of Sol-Gel Technologies.

Corporate Highlights and Recent Developments

- In February 2018, data was presented from the Company's Phase II clinical trial of TWIN for the treatment of acne vulgaris and from its Phase II clinical trial of Epsolay® (formerly VERED) for the treatment of subtype II rosacea at the 2018 American Academy of Dermatology (AAD) Annual Meeting which took place February 16-20 in San Diego, California.

- On February 5, 2018, the Company successfully completed its initial public offering of 7,187,500 ordinary shares at a public offering price of $12.00 per share, which included the exercise in full by the underwriters of their option to purchase up to an additional 937,500 ordinary shares, aggregating gross proceeds of approximately $86.3 million, before underwriting discounts, commissions and estimated offering expenses.

- On January 29, 2018, the U.S, Food and Drug Administration (FDA) granted Perrigo Company plc (NYSE; TASE PRGO) a tentative approval for ivermectin cream, 1%, the active molecule in Soolantra®, that was developed in collaboration with the Company. Soolantra® is indicated for the treatment of inflammatory lesions of rosacea. In our collaboration with Perrigo, we shared development costs and will share the gross profit 50/50.

Clinical Program Update

- Plan to have an end-of-phase II meeting with the FDA in the first half of 2018 and initiate the pivotal Phase III TWIN trials in acne vulgaris in the second half of 2018.

- Plan to initiate the pivotal Phase III Epsolay® trials in subtype II rosacea in the first half of 2018.

- Plan to initiate bioequivalence study for a generic drug candidate in 2018.

Financial Results

Fourth quarter 2017 Financial Results

Research and development expenses were $4.4 million in the fourth quarter of 2017, compared to $3.9 million for the same period in 2016. The increase was primarily due to an increase of $1.1 million in payroll and related expenses, an increase of $1.3 million in Chemistry, Manufacturing and Controls (CMC) and professional services expenses and an increase of $0.8 million in other expenses, partially offset by a decrease of $2.7 million in clinical trial expenses.

General and administrative expenses were $1.2 million in the fourth quarter of 2017, compared to $0.9 million for the same period in 2016. The increase was primarily due to share-based compensation expenses.

Sol-Gel reported a loss of $5.5 million for the fourth quarter of 2017, compared to a loss of $4.9 million for the same period in 2016.

Full Year 2017 Financial Results

Revenues were $0.2 million for the year ended December 31, 2017 compared with zero for the same period in 2016. The revenues were comprised from royalties under an agreement entered by us in 2007 that granted rights to a third party for manufacturing and commercialization of encapsulated ultraviolet (UV) filters.

Research and development expenses were $25.8 million for the year ended December 31, 2017 compared to $17.0 million for the same period in 2016. The increase was primarily due to an increase of $2.5 million in payroll and related expenses due to share-based compensation, salary increases and an increase in the number of employees, an increase of $6.2 million due to acquiring an in-process research and development product candidate offset by a decrease of $3.1 million in clinical trial expenses and an increase of $2.6 million due to an increase in manufacturing expenses.

General and administrative expenses were $6.0 million for the year ended December 31, 2017 compared to $3.7 million for the same period in 2016. The increase was primarily due to an increase of $0.6 million in professional fees and $1.6 million due to share-based compensation.

Sol-Gel reported a loss of $31.6 million for the year ended December 31, 2017, compared to a loss of $20.8 million for the year ended December 31, 2016.

As of December 31, 2017, Sol-Gel had $5.0 million in cash and cash equivalents, compared to $7.0 million as of December 31, 2016. The decrease resulted from our loss for the year ended December 31, 2017, partially offset by loans received from our controlling shareholder.

About Sol-Gel Technologies

Sol-Gel is a clinical-stage dermatology company focused on identifying, developing and commercializing branded and generic topical drug products for the treatment of skin diseases. Sol-Gel's current product candidate pipeline consists of late-stage branded product candidates that leverage our proprietary, silica-based microencapsulation technology platform, and several generic product candidates across multiple indications.

Forward Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions. Forward-looking statements are based on information we have when those statements are made or our management's current expectation, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: (i) the adequacy of our financial and other resources, particularly in light of our history of recurring losses and the uncertainty regarding the adequacy of our liquidity to pursue our complete business objectives; (ii) our ability to complete the development of our product candidates; (iii) our ability to find suitable co-development partners; (iv) our ability to obtain and maintain regulatory approvals for our product candidates in our target markets and the possibility of adverse regulatory or legal actions relating to our product candidates even if regulatory approval is obtained; (v) our ability to rely on data from our Phase II TWIN trial to advance the development of SIRS-T; (vi) our ability to commercialize our pharmaceutical product candidates; (vii) our ability to obtain and maintain adequate protection of our intellectual property; (viii) our ability to manufacture our product candidates in commercial quantities, at an adequate quality or at an acceptable cost; (ix) our ability to establish adequate sales, marketing and distribution channels; (x) acceptance of our product candidates by healthcare professionals and patients; (xi) the possibility that we may face third-party claims of intellectual property infringement; (xii) the timing and results of clinical trials that we may conduct or that our competitors and others may conduct relating to our or their products; (xiii) intense competition in our industry, with competitors having substantially greater financial, technological, research and development, regulatory and clinical, manufacturing, marketing and sales, distribution and personnel resources than we do; (xiv) potential product liability claims; (xv) potential adverse federal, state and local government regulation in the United States, Europe or Israel; and (xvi) loss or retirement of key executives and research scientists. More information about the risks and uncertainties that can affect the realization of forward-looking statements is set forth in the Company's final prospectus filed with the Securities and Exchange Commission ("SEC") on February 2, 2018 relating to our Registration Statement on Form F-1, and our other reports filed with the SEC, including the Company's Annual Report on Form 20-F to be filed with the SEC. All forward-looking statements included in this press release are made only as of the date of this press release. Except as required by law, we undertake no obligation to update publicly any forward-looking statements after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

For further information, please contact:
Sol-Gel Contact:
Gilad Mamlok
Chief Financial Officer
+972-8-9313433

Investor Contact:
Patricia L. Bank
Westwicke Partners
+1-415-513-1284
patti.bank@westwicke.com

SOL-GEL TECHNOLOGIES LTD.

BALANCE SHEET

(U.S. dollars in thousands, except share and per share data)

	December 31	
	2016	2017
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,001	$ 5,024
Bank deposit	-	4,000
Prepaid expenses and other current assets	472	1,511
Advance payment	823	13
TOTAL CURRENT ASSETS	8,296	10,548
NON-CURRENT ASSETS:		
Long term receivables	1,190	1,653
Restricted long term deposits	107	120
Property and equipment, net	798	2,314
Funds in respect of employee rights upon retirement	594	680
TOTAL NON-CURRENT ASSETS	2,689	4,767

TOTAL ASSETS	$ 10,985	$ 15,315
Liabilities net of capital deficiency		
CURRENT LIABILITIES:		
Accounts payable	$ 667	$ 534
Accrued expenses and other	3,623	1,332
Loans from the controlling shareholder	37,338	65,338
TOTAL CURRENT LIABILITIES	41,628	67,204
LONG-TERM LIABILITIES –		
Liability for employee rights upon retirement	694	810
TOTAL LONG-TERM LIABILITIES	694	810
COMMITMENTS		
TOTAL LIABILITIES	42,322	68,014
CAPITAL DEFICIENCY:		
Ordinary shares, NIS 0.1 par value – authorized: 8,775,783 and 50,000,000 as of December 31, 2016 and 2017, respectively; issued and outstanding: 6,290,242 and 6,290,244 as of December 31, 2016 and December 31, 2017, respectively	82	82
Additional paid-in capital	32,274	42,480
Accumulated deficit	(63,693)	(95,261)
TOTAL CAPITAL DEFICIENCY	(31,337)	(52,699)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY	$ 10,985	$ 15,315

SOL-GEL TECHNOLOGIES LTD.

STATEMENT OF OPERATIONS

(U.S. dollars in thousands, except share and per share data)

	Year ended December 31,		
	2015	**2016**	**2017**
REVENUES			174
RESEARCH AND DEVELOPMENT EXPENSES	$ 7,184	$ 17,023	$ 25,805
GENERAL AND ADMINISTRATIVE EXPENSES	2,463	3,733	6,002
TOTAL OPERATING LOSS	9,647	20,756	31,633
FINANCIAL EXPENSES (INCOME), NET	13	15	(65)
LOSS FOR THE YEAR	$ 9,660	$ 20,771	$ 31,568
BASIC AND DILUTED LOSS PER ORDINARY SHARE	$ 1.53	$ 3.30	$ 5.02
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER SHARE	6,290,242	6,290,242	6,290,244

Source: Sol-Gel Technologies Ltd.