UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2022**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: **001-36201**

Immunic, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**56-2358443**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1200 Avenue of the Americas		
Suite 200		
New York,	**NY**	**10036**
(Address of principal executive offices)		(Zip Code)

(332) 255-9818
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value	IMUX	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On July 31, 2022, 30,564,995 shares of common stock, $0.0001 par value, were outstanding.

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IMMUNIC, INC.

Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 88,078	$ 86,863
Other current assets and prepaid expenses	16,683	18,125
Total current assets	104,761	104,988
Property and equipment, net	139	152
Goodwill	32,970	32,970
Right-of-use assets, net	745	948
Other long-term assets	42	42
Total assets	$ 138,657	$ 139,100
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 4,117	$ 3,745
Accrued expenses	5,741	7,071
Other current liabilities	544	585
Total current liabilities	10,402	11,401
Long term liabilities		
Operating lease liabilities	407	584
Total long-term liabilities	407	584
Total liabilities	10,809	11,985
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 20,000,000 authorized and no shares issued or outstanding as of June 30, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 130,000,000 shares authorized and 30,564,995 and 26,335,418 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	3	3
Additional paid-in capital	368,087	324,237
Accumulated other comprehensive loss	(660)	(252)
Accumulated deficit	(239,582)	(196,873)
Total stockholders' equity	127,848	127,115
Total liabilities and stockholders' equity	$ 138,657	$ 139,100

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

IMMUNIC, INC.

Condensed Consolidated Statements of Operations

(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating expenses:				
Research and development	$ 16,538	$ 15,738	$ 33,983	$ 27,257
General and administrative	4,072	3,432	8,062	7,050
4SC royalty settlement (see Note 4)	—	—	—	17,250
Total operating expenses	20,610	19,170	42,045	51,557
Loss from operations	(20,610)	(19,170)	(42,045)	(51,557)
Other income (expense):				
Interest income	106	13	113	41
Other income (expense), net	(1,397)	1,223	(777)	(952)
Total other income (expense)	(1,291)	1,236	(664)	(911)
Net loss	$ (21,901)	$ (17,934)	$ (42,709)	$ (52,468)
Net loss per share, basic and diluted	$ (0.72)	$ (0.82)	$ (1.49)	$ (2.44)
Weighted-average common shares outstanding, basic and diluted	30,248,767	21,749,439	28,686,910	21,463,656

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

IMMUNIC, INC.

Condensed Consolidated Statements of Comprehensive Loss

(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (21,901)	$ (17,934)	$ (42,709)	$ (52,468)
Other comprehensive income (loss):				
Foreign currency translation	(350)	(277)	(408)	2,714
Total comprehensive loss	$ (22,251)	$ (18,211)	$ (43,117)	$ (49,754)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

IMMUNIC, INC.

Condensed Consolidated Statements of Stockholders' Equity

(In thousands, except share amounts)
(Unaudited)
Six Months Ended June 30, 2022

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2022	26,335,418	$ 3	$ 324,237	$ (252)	$ (196,873)	$ 127,115
Net loss	—	—	—	—	(20,808)	(20,808)
Stock-based compensation	—	—	2,069	—	—	2,069
Foreign exchange translation adjustment	—	—	—	(58)	—	(58)
Shares issued in connection with the Company's stock option plan	852	—	5	—	—	5
Issuance of common stock - at the market Sales Agreement net of issuance costs of $918	2,904,113	—	29,638	—	—	29,638
Balance at March 31, 2022	29,240,383	$ 3	$ 355,949	$ (310)	$ (217,681)	$ 137,961
Net loss	—	—	—	—	(21,901)	(21,901)
Stock-based compensation	—	—	2,062	—	—	2,062
Foreign exchange translation adjustment	—	—	—	(350)	—	(350)
Shares issued in connection with the Company's Employee stock purchase plan	24,612	—	130	—	$ —	130
Issuance of common stock - at the market Sales Agreement net of issuance costs of $308	1,300,000	—	9,946	$ —	$ —	9,946
Balance at June 30, 2022	30,564,995	$ 3	$ 368,087	$ (660)	$ (239,582)	127,848

Six Months Ended June 30, 2021

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2021	21,168,240	2	266,823	(4,112)	(103,928)	158,785
Net loss	—	—	—	—	(34,534)	(34,534)
Stock-based compensation	—	—	1,579	—	—	1,579
Foreign exchange translation adjustment	—	—	—	2,991	—	2,991
Issuance of common stock in connection with the 4SC royalty settlement (see Note 4)	581,199	—	8,625	—	—	8,625
Balance at March 31, 2021	21,749,439	2	$ 277,027	$ (1,121)	$ (138,462)	$ 137,446
Net loss	—	—	—	—	(17,934)	(17,934)
Stock-based compensation	—	—	1,507	—	—	1,507
Foreign exchange translation adjustment	—	—	—	(277)	—	(277)
Balance at June 30, 2021	21,749,439	$ 2	$ 278,534	$ (1,398)	$ (156,396)	$ 120,742

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

IMMUNIC, INC.

Condensed Consolidated Statements of Cash Flows

(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (42,709)	$ (52,468)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	41	29
Unrealized foreign currency loss	2,103	1,905
Stock-based compensation	4,131	3,086
Common Stock issued in connection with the 4SC royalty settlement (see Note 4)	—	8,625
Changes in operating assets and liabilities:		
Other current assets and prepaid expenses	139	(8,683)
Accounts payable	826	483
Accrued expenses	(861)	2,011
Other liabilities	(114)	3,059
Net cash used in operating activities	(36,444)	(41,953)
Cash flows from investing activities:		
Purchases of property and equipment	(40)	(28)
Net cash used in investing activities	(40)	(28)
Cash flows from financing activities:		
Proceeds from public offering of common stock through At The Market Sales Agreement, net	39,584	—
Proceeds from exercise of stock options	5	—
Proceeds from shares issued in connection with the Company's employee stock purchase plan	130	—
Net cash provided by financing activities	39,719	—
Effect of exchange rate changes on cash and cash equivalents	(2,020)	1,704
Net change in cash and cash equivalents	1,215	(40,277)
Cash and cash equivalents, beginning of period	86,863	127,452
Cash and cash equivalents, end of period	$ 88,078	$ 87,175
Supplemental disclosure of noncash investing and financing activities:		
Common Stock issued in connection with the 4SC royalty settlement (see Note 4)	$ —	$ 8,625
Operating lease right-of use asset obtained in exchange for lease obligation	$ —	$ 435

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

IMMUNIC, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Business and Basis of Financial Statements

Description of Business

Immunic, Inc. ("Immunic" or the "Company") is a clinical-stage biopharmaceutical company with a pipeline of selective oral immunology therapies focused on treating chronic inflammatory and autoimmune diseases. The Company is headquartered in New York City with its main operations in Gräfelfing near Munich, Germany. The Company currently has approximately 60 employees.

The Company is currently pursuing three development programs. These include the vidofludimus calcium (IMU-838) program, which is focused on the development of oral formulations of a small molecule inhibitor of the enzyme dihydroorotate dehydrogenase (“DHODH”); the IMU-935 program, which is focused on an inverse agonist of retinoic acid receptor-related orphan nuclear receptor gamma truncated (“RORγt”), an immune cell-specific isoform of RORγ; and the IMU-856 program, which involves the development of a drug targeting the restoration of intestinal barrier function and regeneration of bowel epithelium. These product candidates are being developed to address diseases such as multiple sclerosis ("MS"), psoriasis and gastrointestinal diseases. In addition to these large markets, these products are also being developed to address certain rare diseases with high unmet medical needs, such as primary sclerosing cholangitis (“PSC”), as well as metastatic castration-resistant prostate cancer (“mCRPC”).

The Company’s business, operating results, financial condition and growth prospects are subject to significant risks and uncertainties, including the failure of its clinical trials to meet their endpoints, failure to obtain regulatory approval and the inability to obtain on acceptable terms, if at all, additional funding to complete the development and commercialization of the Company's three development programs.

Liquidity and Financial Condition

Immunic has no products approved for commercial sale and has not generated any revenue from product sales. It has never been profitable and has incurred operating losses in each year since inception in 2016. The Company has an accumulated deficit of approximately $239.6 million as of June 30, 2022 and $196.9 million as of December 31, 2021. Substantially all of Immunic's operating losses resulted from expenses incurred in connection with its research and development programs and from general and administrative costs associated with its operations.

Immunic expects to incur significant expenses and increasing operating losses for the foreseeable future as it initiates and continues the preclinical and clinical development of its product candidates and adds personnel necessary to advance its clinical pipeline of product candidates. Immunic expects that its operating losses will fluctuate significantly from quarter-to-quarter and year-to-year due to timing of clinical development programs.

From inception through June 30, 2022, Immunic has raised net cash of approximately $299.1 million from private and public offerings of preferred and common stock. As of June 30, 2022, the Company had cash and cash equivalents of approximately $88.1 million. With these funds, Immunic expects to be able to fund its operations beyond twelve months from the date of the issuance of the accompanying condensed consolidated financial statements.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles, ("U.S. GAAP") and include the accounts of Immunic and its wholly-owned subsidiaries, Immunic AG and Immunic Research GmbH (which both began operations in 2016) and Immunic Australia Pty Ltd. (which began operations in 2018). All intercompany accounts and transactions have been eliminated in consolidation. Immunic manages its operations as a single reportable segment for the purposes of assessing performance and making operating decisions.

Unaudited Interim Financial Information

Immunic has prepared the accompanying interim unaudited condensed consolidated financial statements in accordance with United States generally accepted accounting principles, ("US GAAP"), for interim financial information and with the instructions to Form 10-Q and Regulation S-X of the SEC. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These interim unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring accruals which, in the opinion of management, are necessary to present fairly Immunic's consolidated financial position, consolidated results of operations, consolidated statement of stockholders' equity and consolidated cash flows for the periods and as of the dates presented. The Company's fiscal year ends on December 31. The condensed consolidated balance sheet as of December 31, 2021 was derived from audited consolidated financial statements but does not include all disclosures required by U.S. GAAP. These condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K filed on February 24, 2022. The nature of Immunic's business is such that the results of any interim period may not be indicative of the results to be expected for the entire year.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Company to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and the disclosure of contingent assets and liabilities in the Company's consolidated financial statements. The most significant estimates in the Company's financial statements and accompanying notes relate to clinical trial expenses and share-based compensation. Management believes its estimates to be reasonable under the circumstances. Actual results could differ materially from those estimates and assumptions.

Foreign Currency Translation and Presentation

The Company's reporting currency is United States ("U.S.") dollars. Immunic AG and Immunic Research GmbH's operations are located in Germany with the Euro being their functional currency. Immunic Australia Pty Ltd.'s functional currency is the Australian dollar. All amounts in the financial statements where the functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows:

- assets and liabilities at reporting period-end rates;
- income statement accounts at average exchange rates for the reporting period; and
- components of equity at historical rates.

Gains and losses from translation of the financial statements into U.S. dollars are recorded in stockholders' equity as a component of accumulated other comprehensive income (loss). Realized and unrealized gains and losses resulting from foreign currency transactions denominated in currencies other than the functional currency are reflected as general and administrative expenses in the Consolidated Statements of Operations. Foreign currency transaction gains and losses related to long-term intercompany loans that are payable in the foreseeable future are recorded in Other Income (Expense). The Consolidated Statements of Cash Flows were prepared by using the average exchange rate in effect during the reporting period which reasonably approximates the timing of the cash flows.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents consist of cash on hand and deposits in banks located in the U.S., Germany and Australia. The Company maintains cash and cash equivalent balances denominated in Euro and U.S. dollars with major financial institutions in the U.S. and Germany in excess of the deposit limits insured by the government. Management periodically reviews the credit standing of these financial institutions and believes that the Company is not exposed to any significant credit risk. The Company currently deposits its cash and cash equivalents with two large financial institutions.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants on the measurement date. Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities. Level 1 assets consisted of money market funds for the periods presented. The Company had no Level 1 liabilities for the periods presented.

Level 2— Inputs other than observable quoted prices for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. The Company had no Level 2 assets or liabilities for the periods presented.

Level 3—Unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of assets or liabilities. The Company had no Level 3 assets or liabilities for the periods presented.

The carrying value of cash and cash equivalents, other current assets and prepaid expenses, accounts payable, accrued expenses, and other current liabilities approximates fair value due to the short period of time to maturity.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method based on the estimated service lives of the assets, which range from three to thirteen years. Depreciation expense was $20,000 and $15,000 for the three months ended June 30, 2022 and 2021, respectively. Depreciation expense was $41,000 and $29,000 for the six months ended June 30, 2022 and 2021, respectively

Impairment of Long-Lived Assets

The Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Impaired assets are then recorded at their estimated fair value. There were no impairment losses during the three and six months ended June 30, 2022 and 2021.

Goodwill

Business combinations are accounted for under the acquisition method. The total purchase price of an acquisition is allocated to the underlying identifiable net assets, based on their respective estimated fair values as of the acquisition date. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, probabilities of success, discount rates, and asset lives, among other items. Assets acquired and liabilities assumed are recorded at their estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill.

Goodwill is tested for impairment at the reporting unit level annually in the fourth quarter, or more frequently when events or changes in circumstances indicate that the asset might be impaired. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, industry market conditions, an adverse regulatory action, sustained decrease in stock price or unanticipated competition.

When conducting the Company's interim goodwill impairment assessment, we considered the Company's history of reported losses and negative cash flows from operating activities, along with the downturn in macroeconomic conditions and the broader mid-cap and micro-cap equity markets in 2022. Given the relatively short period of time between the commencement of the downturn in macroeconomic and general equity market conditions as of June 30, 2022, management believes that the recent reduction in prices of our common stock, consistent with the broader market, is not other-than-temporary and not indicative of any fundamental change in the value or prospects of the underlying business as of the measurement date.

As another data point, the Company also performed a quantitative goodwill impairment analysis comparing the estimated fair value of the Company's reporting unit to its carrying or book value as of the current period presented herein. In performing the quantitative analysis, the Company compared the fair value of the reporting unit to its carrying or book value to determine if the fair value of the reporting unit exceeded its carrying value as of the testing date, in which case the standard indicates that goodwill would not be impaired, and no further testing is required. The fair value of a reporting unit refers to the price that would be received to sell the reporting unit as a whole in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are considered to be the best evidence of fair value and should be used as the basis for fair value measurement, if available. When using quoted market prices to estimate the fair value of a reporting unit, we consider all available evidence. In certain circumstances, such as a distressed market, it may be appropriate to consider recent trends in the Company's stock price, instead of a single day's stock price in evaluating fair value. In these circumstances, averages over relatively short periods of time are used to determine representative market values.

Based on the qualitative analysis and other data points described above, the Company concluded that goodwill was not "more likely than not" impaired as of June 30, 2022.

As described above, we have significant goodwill recorded on our consolidated balance sheets. We will continue to evaluate the recoverability of the carrying amount of goodwill on an ongoing basis. There can be no assurance that the outcome of such reviews in the future will not result in substantial impairment charges. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs, holding periods or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we used in testing for impairment are reasonable, significant changes in any one of our assumptions could produce a significantly different result. The closing stock prices for our common stock subsequent to June 30, 2022, consistent with the broader market, have continued to trend downward. If the decline in our stock price persists throughout the three month period ending September 30, 2022, we will perform an interim goodwill impairment assessment as of September 30, 2022, consistent with the methodology and approach described above.

Research and Development Expenses

These costs primarily include external development expenses and internal personnel expenses for the three development programs, vidofludimus calcium, IMU-935 and IMU-856. Immunic has spent the majority of its research and development resources on vidofludimus calcium, the Company's lead development program for clinical trials in RRMS, UC, COVID-19, and PSC.

Research and development expenses consist of expenses incurred in research and development activities, which include clinical trials, contract research services, certain milestone payments, salaries and related employee benefits, allocated facility costs and other outsourced services. Research and development expenses are charged to operations as incurred.

The Company enters into agreements with contract research organizations ("CROs") to provide clinical trial services for individual studies and projects by executing individual work orders governed by a Master Service Arrangement ("MSA"). The MSAs and associated work orders provide for regular recurrent payments and payments upon the completion of certain milestones. The Company regularly assesses the timing of payments against actual costs incurred to ensure a proper accrual of related expenses in the appropriate accounting period.

Collaboration Arrangements

Certain collaboration and license agreements may include payments to or from the Company of one or more of the following: non-refundable or partially refundable upfront or license fees; development, regulatory and commercial milestone payments; payment for manufacturing supply services; partial or complete reimbursement of research and development costs; and royalties on net sales of licensed products. The Company assesses whether such contracts are within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Update ("ASU") 2014-09 "*Revenue from Contracts with Customers*" and ASU No. 2018-18, "*Collaborative Arrangements",* ("ASU 2018-18"). ASU 2018-18, clarifies that certain elements of collaborative arrangements could qualify as transactions with customers in the scope of ASC 606.

In October 2018, the Company entered into an option and license agreement (the "Daiichi Sankyo Agreement") with Daiichi Sankyo Co., Ltd. ("Daiichi Sankyo") which granted the Company the right to license a group of compounds, designated by the Company as IMU-856, as a potential new oral treatment option for gastrointestinal diseases such as celiac disease, inflammatory bowel disease, irritable bowel syndrome with diarrhea and other barrier function associated diseases. During the option period, the Company performed agreed upon research and development activities for which it was reimbursed by Daiichi

Sankyo up to a maximum agreed-upon limit. Such reimbursement was recorded as other income. There are no additional research and development reimbursements expected under this agreement.

On January 5, 2020, the Company exercised its option to obtain the exclusive worldwide right to commercialization of IMU-856. Among other things, the option exercise grants Immunic AG the rights to Daiichi Sankyo's patent application related to IMU-856. In connection with the option exercise, the Company paid a one-time upfront licensing fee to Daiichi Sankyo. Under the Daiichi Sankyo Agreement, Daiichi Sankyo is also eligible to receive future development, regulatory and sales milestone payments, as well as royalties related to IMU-856.

General and Administrative Expenses

General and administrative expenses consist primarily of salaries and related costs for personnel in executive, finance, business development and other support functions. Other general and administrative expenses include, but are not limited to, stock-based compensation, insurance costs, professional fees for legal, accounting and tax services, consulting, related facility costs and travel.

Stock-Based Compensation

The Company measures the cost of employee and non-employee services received in exchange for equity awards based on the grant-date fair value of the award recognized generally as an expense (i) on a straight-line basis over the requisite service period for those awards whose vesting is based upon a service condition, and (ii) on an accelerated method for awards whose vesting is based upon a performance condition, but only to the extent it is probable that the performance condition will be met. Stock-based compensation is (i) estimated at the date of grant based on the award's fair value for equity classified awards and (ii) final measurement date for liability classified awards. Forfeitures are recorded in the period in which they occur.

The Company estimates the fair value of stock options using the Black-Scholes-Merton option-pricing model ("BSM"), which requires the use of estimates and subjective assumptions, including the risk-free interest rate, the fair value of the underlying common stock, the expected dividend yield of the Company's common stock, the expected volatility of the price of the Company's common stock, and the expected term of the option. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, the Company's stock-based compensation expense could be materially different in the future.

Leases

The Company leases office space and office equipment. The underlying lease agreements have lease terms of less than 12 months and up to 60 months. Leases with terms of 12 months or less at inception are not included in the operating lease right of use asset and operating lease liability.

The Company has two existing leases for office space. At inception of a lease agreement, the Company determines whether an agreement represents a lease and at commencement each lease agreement is assessed as to classification as an operating or financing lease. The Company's two leases have been classified as operating leases and an operating lease right-of-use asset and an operating lease liability have been recorded on the Company's balance sheet. A right-of-use lease asset represents the Company's right to use the underlying asset for the lease term and the lease obligation represents its commitment to make the lease payments arising from the lease. Right-of-use lease assets and obligations are recognized at the commencement date based on the present value of remaining lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company has used an estimated incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The right-of-use lease asset includes any lease payments made prior to commencement and excludes any lease incentives. The lease term used in estimating future lease payments may include options to extend when it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or changes in expectations regarding the lease term. Variable lease costs such as common area costs and property taxes are expensed as incurred. Leases with an initial term of twelve months or less are not recorded on the balance sheet.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Accumulated other comprehensive income (loss) has been reflected as a separate component of stockholders' equity in the accompanying Consolidated Balance Sheets and consists of foreign currency translation adjustments (net of tax).

Income Taxes

The Company is subject to corporate income tax laws and regulations in the U.S., Germany and Australia. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment in their application.

The Company utilizes the asset and liability method of accounting for income taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the audited consolidated financial statements. Deferred income tax assets and liabilities are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of changes in tax rates on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date. Deferred taxes are reduced by a valuation allowance when, in the opinion of management, it is more likely than not some portion or the entire deferred tax asset will not be realized. As of June 30, 2022 and 2021, respectively, the Company maintained a full valuation allowance against the balance of deferred tax assets.

It is the Company's policy to provide for uncertain tax positions and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. The Company recognizes interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company is subject to U.S. federal, New York, California, Texas, German and Australian income taxes. The Company is subject to U.S. federal or state income tax examination by tax authorities for tax returns filed for the years 2003 and forward due to the carryforward of NOLs. Tax years 2016 through 2021 are subject to audit by German and Australian tax authorities. The Company is not currently under examination by any tax jurisdictions.

Net Loss Per Share

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss by the weighted-average number of common shares outstanding for the period, without consideration for common stock equivalents. Diluted net loss per share attributable to common stockholders is computed by dividing the net loss by the weighted-average number of common shares and, if dilutive, common stock equivalents outstanding for the period determined using the treasury-stock method. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company's net loss position.

Potentially dilutive securities, not included in the calculation of diluted net loss per share attributable to common stockholders because to do so would be anti-dilutive, are as follows:

	As of June 30,	
	2022	**2021**
Options to purchase common stock	3,713,248	2,064,839

Recently Issued and/or Adopted Accounting Standards

There are no recently issued accounting standards that would have a significant impact on the company's consolidated financial statements.

3. Balance Sheet Details

Other Current Assets and Prepaid Expenses

Other Current Assets and Prepaid Expenses consist of (in thousands):

	June 30, 2022	December 31, 2021
Prepaid clinical and related costs	$ 11,895	$ 14,853
VAT receivable	397	279
Australian research and development tax incentive	2,875	1,871
Other	1,516	1,122
Total	$ 16,683	$ 18,125

Accounts Payable

Accounts Payable consist of (in thousands):

	June 30, 2022	December 31, 2021
Clinical costs	$ 3,807	$ 3,427
Legal and audit costs	102	72
Other	208	246
Total	$ 4,117	$ 3,745

Accrued Expenses

Accrued expenses consist of (in thousands):

	June 30, 2022	December 31, 2021
Accrued clinical and related costs	$ 4,974	$ 6,214
Accrued legal and audit costs	69	96
Accrued compensation	608	674
Accrued other	90	87
Total	$ 5,741	$ 7,071

Other Current Liabilities

Other Current Liabilities consist of (in thousands):

	June 30, 2022	December 31, 2021
Lease liabilities	$ 366	$ 408
Other	178	177
Total	$ 544	$ 585

4. Commitments and Contingencies

Operating Leases

The Company leases certain office space under non-cancelable operating leases. The leases terminate on April 30, 2023 for the New York City office and on June 30, 2025 for the Gräfelfing, Germany office. These leases include both lease (e.g., fixed rent) and non-lease components (e.g., common-area and other maintenance costs). The non-lease components are deemed to be executory costs and are therefore excluded from the minimum lease payments used to determine the present value of the operating lease obligation and related right-of-use asset. The New York City lease has renewal options, but they were not included in calculating the right of use asset and liabilities. On April 7, 2020, the Company signed a five year lease for its facility in Gräfelfing, Germany. On March 1, 2021, the Company added additional lease space at the Gräfelfing, Germany office. Renewal options were not included in calculating the right of use asset and liabilities for this facility. The leases do not have concessions, leasehold improvement incentives or other build-out clauses. Further, the leases do not contain contingent rent provisions. The New York City lease had a six month rent holiday at the beginning of the lease. There were net additions to right of use assets of $435,000 as a result of signing for additional lease space at the Gräfelfing, Germany office in March 2021.

The leases do not provide an implicit rate and, due to the lack of a commercially salable product, the Company is generally considered unable to obtain commercial credit. Therefore, the Company estimated its incremental interest rate to be 6%, considering the quoted rates for the lowest investment-grade debt and the interest rates implicit in recent financing leases. Immunic used its estimated incremental borrowing rate and other information available at the lease commencement date in determining the present value of the lease payments.

Immunic's operating lease costs and variable lease costs were $136,000 and 145,000 for the three months ended June 30, 2022 and 2021, respectively and $266,000 and $239,000 for the six months ended June 30, 2022 and 2021, respectively. Variable lease costs consist primarily of common area maintenance costs, insurance and taxes which are paid based upon actual costs incurred by the lessor.

Maturities of the operating lease obligation are as follows as of June 30, 2022 (in thousands):

2022	219
2023	289
2024	214
2025	107
2026	—
Total	829
Interest	62
PV of obligation	767

Contractual Obligations

As of June 30, 2022, the Company has non-cancelable contractual obligations under certain agreements related to its development programs for vidofludimus calcium, IMU-935 and IMU-856 totaling approximately $2.6 million, all of which is expected to be paid in the next twelve months.

Other Commitments and Obligations

In May 2016, the Company entered into a purchase agreement (the "Agreement") with 4SC AG, whereby the Company acquired certain assets, including the rights to patents and patent applications, trademarks and know-how. This transaction has been accounted for as an asset acquisition under Accounting Standards Update 2017-01 - Business Combinations (Topic 805): Clarifying the Definition of a Business. The Agreement included payments (Tranches III and IV) that were contingent upon the occurrence of certain events and required the Company to pay royalties equal to 4.4% of the aggregated net sales for a certain period as defined in the Agreement (Tranche III) upon commercialization of the acquired assets. Effective April 12, 2019, the parties agreed to settle Tranche IV by issuing 120,070 shares of the Company's common stock, immediately following the

transaction, to 4SC AG while keeping Tranche III in effect. Approximately $1.5 million of expense was recorded as a result of the issuance of these shares on April 12, 2019.

On March 31, 2021, Immunic AG and 4SC AG entered into a Settlement Agreement, pursuant to which Immunic AG settled its remaining obligation of the 4.4% royalty on net sales for $17.25 million (Tranche III of the Agreement). The payment was made 50% in cash and 50% in shares of Immunic's common stock (the "Shares"). Pursuant to the Agreement, the Company filed a resale shelf registration statement on Form S-3 covering the resale of the Shares. With the execution of the Agreement, no further payment obligations remain between Immunic AG and 4SC AG.

Daiichi Sankyo Agreement

On January 5, 2020, the Company exercised its option to obtain the exclusive worldwide right to commercialization of IMU-856. Among other things, the option exercise grants Immunic AG the rights to Daiichi Sankyo's patent application related to IMU-856. In connection with the option exercise, the Company paid a one-time upfront licensing fee to Daiichi Sankyo. Under the Daiichi Sankyo Agreement, Daiichi Sankyo is also eligible to receive future development, regulatory and sales milestone payments, as well as royalties related to IMU-856.

Legal Proceedings

The Company is not currently a party to any litigation, nor is it aware of any pending or threatened litigation, that it believes would materially affect its business, operating results, financial condition or cash flows. However, its industry is characterized by frequent claims and litigation including securities litigation, claims regarding patent and other intellectual property rights and claims for product liability. As a result, in the future, the Company may be involved in various legal proceedings from time to time.

5. Fair Value

The following fair value hierarchy tables present information about each major category of the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value Measurement at June 30, 2022			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Assets				
Money market funds	$ 63,241	$ 63,241	$ —	$ —
Total assets at fair value	$ 63,241	$ 63,241	$ —	$ —

	Fair Value Measurement at Fair Value Measurement at December 31, 2021			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Assets				
Money market funds	$ 31,630	$ 31,630	$ —	$ —
Total assets	$ 31,630	$ 31,630	$ —	$ —

There were no transfers between Level 1, Level 2 or Level 3 assets during the periods presented.

For the Company's money market funds, which are included as a component of cash and cash equivalents on the consolidated balance sheet, realized gains and losses are included in interest income (expense) on the consolidated statements of operations.

The carrying amounts of other current assets and prepaid expenses, accounts payable, accrued expenses, and other current liabilities approximate their fair values due to their short-term nature. The fair value and book value of the money market funds presented in the table above are the same.

6. Common Stock

Shelf Registration Statement

In November 2020, Immunic filed a shelf registration statement on Form S-3. The 2020 Shelf Registration Statement permits the offering, issuance and sale of up to $250.0 million of common stock, preferred stock, warrants, debt securities, and/or units in one or more offerings and in any combination of the foregoing. As of July 31, 2022, there is $75.0 million remaining on this shelf registration statement

In December 2020, the Company filed a Prospectus Supplement for the offering, issuance and sale of up to a maximum aggregate offering price of $50.0 million of common stock that may be issued and sold under another at-the-market sales agreement ("December 2020 ATM") with SVB Leerink as agent. The Company has used, and intends to continue to use the net proceeds from the offering to continue to fund the ongoing clinical development of its product candidates and for other general corporate purposes, including funding existing and potential new clinical programs and product candidates. The December 2020 ATM will terminate upon the earlier of (i) the issuance and sale of all of the shares through SVB Leerink on the terms and subject to the conditions set forth in the December 2020 ATM or (ii) termination of the December 2020 ATM as otherwise permitted thereby. The December 2020 ATM may be terminated at any time by either party upon ten days' prior notice, or by SVB Leerink at any time in certain circumstances, including the occurrence of a material adverse effect on the Company. As of July 31, 2022, $8.4 million in capacity remains under the December 2020 ATM.

In May 2022, the Company filed a Prospectus Supplement for the offering, issuance and sale of up to a maximum aggregate offering price of $80.0 million of common stock that may be issued and sold under another at-the-market sales agreement ("May 2022 ATM") with SVB Leerink as agent. The Company intends to use the net proceeds from the offering to continue to fund the ongoing clinical development of its product candidates and for other general corporate purposes, including funding existing and potential new clinical programs and product candidates. The May 2022 ATM will terminate upon the earlier of (i) the issuance and sale of all of the shares through SVB Leerink on the terms and subject to the conditions set forth in the May 2022 ATM or (ii) termination of the May 2022 ATM as otherwise permitted thereby. The May 2022 ATM may be terminated at any time by either party upon ten days' prior notice, or by SVB Leerink at any time in certain circumstances, including the occurrence of a material adverse effect on the Company. As of July 31, 2022, $80.0 million in capacity remains under the May 2022 ATM.

The Company has agreed to pay SVB Leerink a commission equal to 3.0% of the gross proceeds from the sales of common shares pursuant to both ATM's and has agreed to provide SVB Leerink with customary indemnification and contribution rights.

In the three months ended June 30, 2022, the Company raised gross proceeds of $10.3 million pursuant to the December 2020 ATM through the sale of 1,300,000 shares of common stock at a weighted average price of $7.90 per share. The net proceeds from the December 2020 ATM were $10.0 million after deducting underwriter commissions of $0.3 million. In the six months ended June 30, 2022, the Company raised gross proceeds of $40.9 million pursuant to the December 2020 ATM through the sale of 4,204,113 shares of common stock at a weighted average price of $9.72 per share. The net proceeds from the December 2020 ATM were $39.6 million after deducting underwriter commissions of $1.2 million.

The Company did not have any ATM activity during the three or six months ended June 30, 2021.

Common Stock

As of June 30, 2022, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 130,000,000 shares of common stock, par value of $0.0001 per share. The voting, dividend and liquidation rights of the holders of the Company's common stock are subject to and qualified by the rights, powers and preferences of any holders of preferred stock.

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Common stockholders are entitled to receive dividends, as may be declared by the board of directors, if any. Through June 30, 2022, no cash dividends had been declared or paid.

Preferred Stock

The Company's certificate of incorporation, as amended and restated, authorizes the Company to issue 20 million shares of $0.0001 par value preferred stock, having rights and preferences to be set by the Board of Directors. No preferred shares were outstanding as of June 30, 2022.

Stock Reserved for Future Issuance

Shares reserved for future issuance at June 30, 2022 are as follows:

	Number of Shares
Common stock reserved for issuance for:	
2021 Employee Stock Purchase Plan	162,630
Outstanding stock options	3,713,248
Common stock options available for future grant:	
2014 Equity Incentive Plan	43,311
2017 Inducement Equity Incentive Plan	46,250
2019 Omnibus Equity Incentive Plan	267,095
Total common shares reserved for future issuance	4,232,534

7. Stock-Based Compensation Plans

2021 Employee Stock Purchase Plan

On April 25, 2021, the Company adopted the 2021 Employee Stock Purchase Plan ("ESPP"), which was approved by stockholder vote at the 2021 Annual Meeting of Stockholders held on June 10, 2021. The ESPP provides eligible employees of the Company with an opportunity to purchase common stock of the Company through accumulated payroll deductions, which are included in other current liabilities until they are used to purchase Company shares. Eligible employees participating in the bi-annual offering period can choose to have up to the lesser of 15% of their annual base earnings or the IRS annual share purchase limit of $25,000 in aggregate market value to purchase shares of the Company's common stock. The purchase price of the stock is the lesser of (i) 85% of the closing market price on the date of purchase and (ii) the closing market price at the beginning of the bi-annual offering period. The maximum number of shares reserved for delivery under the plan is 200,000 shares.

The Company issued 24,612 shares under the ESPP for the three and six months ended June 30, 2022 and 37,370 shares life to date. The Company recognized $25,000 and $53,000 of expense related to the ESPP during the three and six months ended June 30, 2022.

Stock Option Programs

In July 2019, the Company's stockholders approved the 2019 Omnibus Equity Incentive Plan (the "2019 Plan") which was adopted by the Board with an effective date of June 14, 2019. The 2019 Plan allows for the grant of equity awards to employees, consultants and non-employee directors. An initial maximum of 1,500,000 shares of the Company's common stock were available for grant under the 2019 Plan. The 2019 Plan includes an evergreen provision that allows for the annual addition of up to 4% of the Company's fully-diluted outstanding stock, with a maximum allowable increase of 4,900,000 shares over the term of the 2019 Plan. In accordance with this provision, the shares available for grant were increased in 2020 through 2022 by a total of 2,481,195 shares. The 2019 Plan is currently administered by the Board, or, at the discretion of the Board, by a committee of the Board, which determines the exercise prices, vesting schedules and other restrictions of awards under the 2019 Plan at its discretion. Options to purchase stock may not have an exercise price that is less than the fair market value of underlying shares on the date of grant, and may not have a term greater than ten years. Incentive stock options granted to employees typically vest over four years. Non-statutory options granted to employees, officers, members of the Board, advisors, and consultants of the Company typically vest over three or four years.

Shares that are expired, terminated, surrendered or canceled under the 2019 Plan without having been fully exercised will be available for future awards.

Movements during the year

The following table summarizes stock option activity for the six months ended June 30, 2022 and 2021, respectively, for the 2019 Plan:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2022	2,157,460	$ 13.54		
Granted	1,702,513	$ 9.29		
Exercised	(852)	$ 5.67	—	
Forfeited or expired	(145,873)	$ 11.88		
Outstanding as of June 30, 2022	3,713,248	$ 11.66	8.86	$ 23,870
Options vested and expected to vest as of June 30, 2022	3,713,248	$ 11.66	8.86	$ 23,870
Options exercisable as of June 30, 2022	1,127,085	$ 13.83	8.00	$ —

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2021	1,117,160	$ 12.96		
Granted	961,059	$ 15.27		
Exercised	—	$ —		
Forfeited or expired	(13,380)	$ 12.11		
Outstanding as of June 30, 2021	2,064,839	$ 14.04	9.16	$ 411,563
Options vested and expected to vest as of June 30, 2021	2,064,839	$ 14.04	9.16	$ 411,563
Options exercisable as of June 30, 2021	462,022	$ 13.59	8.65	$ 227,848

Measurement

The weighted-average assumptions used in the BSM option pricing model to determine the fair value of the employee and non-employee stock option grants relating to the 2019 Plan were as follows:

Risk-Free Interest Rate

The risk-free rate assumption is based on U.S. Treasury instruments with maturities similar to the expected term of the stock options.

Expected Dividend Yield

The Company has not issued any dividends and does not expect to issue dividends over the life of the options. As a result, the Company has estimated the dividend yield to be zero.

Expected Volatility

Due to the Company's limited operating history and a lack of company specific historical and implied volatility data, the Company estimates expected volatility based on the historical volatility of its own stock combined with a group of comparable companies that are publicly traded. The historical volatility data was computed using the daily closing prices for the selected companies' shares during the equivalent period of the calculated expected term of the stock-based awards.

Expected Term

The expected term of options is estimated considering the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past.

The weighted-average grant date fair value of stock options granted under the 2019 Plan during the six months ended June 30, 2022 and 2021 was $7.25 and $11.36, respectively. The following are the underlying assumptions used in the Black-Scholes option pricing model to determine the fair value of stock options granted to employees and to non-employees under this stock plan:

	Six Months Ended June 30,	
	2022	2021
Risk-free interest rate	1.95%	0.88%
Expected dividend yield	0%	0%
Expected volatility	97.9%	92.3%
Expected term of options (years)	6.00	5.94

Stock-Based Compensation Expense

Total stock-based compensation expense for all stock awards recognized in the accompanying unaudited condensed consolidated statements of operations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 765,000	$ 492,000	$ 1,561,000	$ 823,000
General and administrative	1,297,000	1,015,000	2,570,000	2,263,000
Total	$ 2,062,000	$ 1,507,000	$ 4,131,000	$ 3,086,000

As of June 30, 2022, there was $19.4 million in total unrecognized compensation expense relating to the 2019 Plan to be recognized over a weighted average period of 3.06 years.

Summary of Equity Incentive Plans Assumed from Vital Therapies

Upon completion of the Transaction with Vital Therapies ("Vital") on April 12, 2019, Vital’s 2012 Stock Option Plan (the “2012 Plan”), Vital’s 2014 Equity Incentive Plan (the “2014 Plan”) and Vital’s 2017 Inducement Equity Incentive Plan (the “Inducement Plan”), were assumed by the Company. All awards granted under these plans have either been forfeited or expired.

There remain 43,311 shares available for grant under the 2014 Plan as of June 30, 2022.

In September 2017, Vital’s board of directors approved the Inducement Plan, which was amended and restated in November 2017. Under the Inducement Plan 46,250 shares of Vital’s common stock were reserved to be used exclusively for non-qualified grants to individuals who were not previously employees or directors as an inducement material to a grantee's entry into employment within the meaning of Rule 5635(c)(4) of the Nasdaq Listing Rules.

No expense was recorded for the plans assumed from Vital during the three and six months ended June 30, 2022 and 2021, respectively.

8. Related Party Transactions

Executive Chairman Agreement with Duane Nash

On April 15, 2020, the compensation committee of the Board of Directors of the Company independently reviewed and approved entering into an employment agreement with the current Chairman of the Board, Duane Nash, MD, JD, MBA (the "Executive Chairman Agreement") and pursuant to such approval, on April 17, 2020, the Company and Dr. Nash entered into the Executive Chairman Agreement. The Executive Chairman Agreement establishes an "at will" employment relationship pursuant to which Dr. Nash serves as Executive Chairman and contemplated a term that ends on October 15, 2020, which was subsequently extended to April 15, 2021. On April 15, 2021, the Company and Dr. Nash entered into an addendum (the "Addendum") to extend the term of the Executive Chairman Agreement to April 15, 2022. In connection with the Addendum, the Company made a one-time award to Dr. Nash of an option to purchase 90,000 shares of Company common stock, which vests monthly commencing on May 15, 2021, and to increase Dr. Nash's monthly base salary to $27,960 from $25,417. Effective March 15, 2022, the Company extended the term of employment from April 15, 2022 to December 31, 2022 with a base salary of $29,358 per month (which includes the cash retainer payable for serving on the Company's Board or for acting as the Chairman of the Board). In connection with this extension, the Company made a one-time award to Dr. Nash of an option to purchase 75,000 shares of the Company's common stock, which vests monthly commencing on April 10, 2022. All other terms of the Executive Chairman Agreement remain the same.

9. Subsequent Events

Changes in Board of Directors

On July 6, 2022, the Company announced the appointment of Monika Maria Törnsén as a member of the Board of Directors of the Company, effective as of July 5, 2022. As a Class III director, Ms. Törnsén's term lasts until the Company's 2023 annual meeting of stockholders. Ms. Törnsén is not a party to, and does not have any direct or indirect material interest in, any transaction requiring disclosure under Item 404(a) of Regulation S-K. There are no arrangements or understandings between Ms. Törnsén and any other persons pursuant to which she was selected as a director.

In connection with her appointment as director, Ms. Törnsén was granted a long-term equity incentive grant in the form of an option to purchase a total of 30,000 shares of the Company's common stock, with an exercise price of $4.30 per share, which is equal to the closing price of the Company's common stock on The Nasdaq Stock Market on the date of grant, July 8, 2022. The option to purchase 10,000 shares vests in monthly increments over a period of one year from the grant date, and the option to purchase 20,000 shares vests in monthly increments over a period of three years from the grant date.

Additionally, Ms. Törnsén and the Company entered into the Company's standard form of indemnification agreement for directors and executive officers.

Concurrently, the Company also announced that current Class III director, Jan Van den Bossche, resigned from the Board. The Board accepted Mr. Van den Bossche's resignation effective July 5, 2022. Mr. Van den Bossche's decision to resign did not result from any disagreement with the Company on any matter relating to Company operations, policies or practices.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited interim condensed consolidated financial statements and notes thereto included in Item 1 "Financial Statements" in this Quarterly Report on Form 10-Q (the "Quarterly Report") and the audited Consolidated Financial Statements in our Annual Report on Form 10-K. filed with the Securities and Exchange Commission ("SEC"), on February 24, 2022. As used in this report, unless the context suggests otherwise, "we," "us," "our," "the Company" or "Immunic" refer to Immunic, Inc. and its subsidiaries.

Forward-Looking Statements

In addition to historical information, this Quarterly Report includes forward-looking statements within the meaning of federal securities laws. Forward-looking statements are subject to certain risks and uncertainties, many of which are beyond our control. Such statements include, but are not limited to, statements preceded by, followed by or that otherwise include the words, "believe," "may," "might," "can," "could," "will," "would," "should," "estimate," "continue," "anticipate," "intend," "seek," "plan," "project," "expect," "potential," "predicts," or similar expressions and the negatives of those terms.

Forward-looking statements discuss matters that are not historical facts. Our forward-looking statements involve assumptions that, if they ever materialize or prove correct, could cause our results to differ materially from those expressed or implied by such forward-looking statements. In this Quarterly Report, for example, we make forward-looking statements, among others, regarding potential strategic options; financial estimates and projections; and the sufficiency of our capital resources to fund our operations.

The inclusion of any forward-looking statements in this Quarterly Report should not be regarded as a representation that any of our plans will be achieved. Our actual results may differ from those anticipated in our forward-looking statements as a result of various factors, including those noted below under the caption "Part II, Item 1A-Risk Factors," and the differences may be material. These risk factors include, but are not limited to statements relating to our three development programs and the targeted diseases; the potential for vidofludimus calcium, IMU-935 and IMU-856 to safely and effectively target diseases; the nature, strategy and focus of the Company; expectations regarding our capitalization and financial resources; the development and commercial potential of any product candidates of the Company; and our ability to retain certain personnel important to our ongoing operations and to maintain effective internal control over financial reporting.

Although our forward-looking statements reflect the good faith judgment of our management, these statements are based only on facts and factors currently known by us. As a result, stockholders are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. All forward-looking statements are qualified in their entirety by this cautionary statement, and we undertake no obligation to revise or update such statements to reflect events or circumstances after the date hereof, except as required by law.

Overview

Immunic, Inc. ("Immunic," "we," "us," "our" or the "Company") is a clinical-stage biopharmaceutical company with a pipeline of selective oral immunology therapies focused on treating chronic inflammatory and autoimmune diseases. We are headquartered in New York City with our main operations in Gräfelfing near Munich, Germany. We currently have approximately 60 employees.

We are currently pursuing three development programs. These include the vidofludimus calcium (IMU-838) program, which is focused on the development of oral formulations of a small molecule inhibitor of the enzyme dihydroorotate dehydrogenase ("DHODH"); the IMU-935 program, which is focused on an inverse agonist of retinoic acid receptor-related orphan nuclear receptor gamma truncated ("RORγt"), an immune cell-specific isoform of RORγ; and the IMU-856 program, which involves the development of a drug targeting the restoration of intestinal barrier function and regeneration of bowel epithelium. These product candidates are being developed to address diseases such as multiple sclerosis ("MS"), psoriasis and gastrointestinal diseases. In addition to these large markets, these products are also being developed to address certain rare diseases with high unmet medical needs, such as primary sclerosing cholangitis ("PSC"), as well as metastatic castration-resistant prostate cancer ("mCRPC").

The following table summarizes the potential indications, clinical targets and clinical development status of our three product candidates:

Program	Target	Preclinical	Phase 1	Phase 2	Phase 3	Key Milestones
Vidofludimus Calcium (IMU-838)	DHODH	Relapsing Multiple Sclerosis (RMS) – ENSURE Trials				▪ RMS interim analysis planned after approx. half of the events occurred ▪ PMS interim analysis planned after half of the patients completed 24 weeks of treatment
		Progressive Muliple Sclerosis (PMS) – CALLIPER Trial				
		Primary Sclerosing Cholangitis (PSC)				
IMU-935	IL-17 / RORγt	Psoriasis				▪ Q4/2022: initial psoriasis data expected
		Castration-Resistant Prostate Cancer (CRPC)				
IMU-856	Intestinal Barrier Function	Celiac Disease				▪ Q3/2022: SAD/MAD safety data expected

Our most advanced drug candidate, vidofludimus calcium (IMU-838), targets DHODH, a key enzyme in the intracellular metabolism of immune cells in the body. In the third quarter of 2020, we reported positive results from our Phase 2 EMPhASIS trial of vidofludimus calcium in relapsing-remitting multiple sclerosis ("RRMS"), achieving both primary and key secondary endpoints with high statistical significance. The first patient in our Phase 3 ENSURE program of vidofludimus calcium in relapsing multiple sclerosis ("RMS"), comprising twin studies evaluating efficacy, safety, and tolerability of vidofludimus

calcium versus placebo, was enrolled in November 2021. The first patient in our supportive Phase 2 CALLIPER trial of vidofludimus calcium in progressive multiple sclerosis (“PMS”) was enrolled in September 2021. We have carefully analyzed the impact that current events in Ukraine and Russia may have on our ongoing clinical programs. Based on this assessment, our current goal is to report data from the interim analysis of the CALLIPER trial in the second half of 2023 and to read-out top-line data at the end of 2024. Moreover, the read-out of the first of the ENSURE trials is currently targeted for end of 2025. Although we currently believe that each of these goals is achievable, they are each dependent on numerous factors which are not under our direct control and can be difficult to predict. We plan to periodically review this assessment and provide updates of material changes as appropriate.

In the first quarter of 2021, we reported positive top-line data from an investigator-sponsored Phase 2 proof-of-concept clinical trial of vidofludimus calcium in primary sclerosing cholangitis which was conducted in collaboration with the Mayo Clinic. Also, in the first quarter of 2021, we announced that vidofludimus calcium showed evidence of clinical activity in our Phase 2 CALVID-1 trial in hospitalized patients with moderate coronavirus disease 2019 ("COVID-19"). Top-line results of our Phase 2 CALDOSE-1 trial of vidofludimus calcium in patients with moderate-to-severe ulcerative colitis (“UC”) were reported in June 2022, showing an interaction with chronic concurrent steroid use and, therefore, missing the trial’s primary endpoint. We announced that our development programs in the inflammatory bowel disease (“IBD”) indications will not be continued without a partner. Additional antiviral-directed development activities remain ongoing through preclinical research examining the potential to treat a broad set of viral indications with vidofludimus calcium and other DHODH inhibitors and further antiviral molecules. Immunic is exploring several options to support further development of our antiviral portfolio, including a potential spin-off into a new or existing company and potential licensing transactions.

If approved, we believe that vidofludimus calcium has the potential to be a best-in-class DHODH inhibitor in RMS. Importantly, vidofludimus calcium has an attractive pharmacokinetic, safety and tolerability profile and has already been exposed to more than 1,100 human subjects and patients in either of the drug’s formulations.

Our second drug candidate, IMU-935, is a highly potent and selective inverse agonist of a transcription factor called RORγt. We believe that the nuclear receptor RORγt is a main driver for the differentiation of T-helper 17 (“Th17”) cells and the release of cytokines involved in various inflammatory and autoimmune diseases. We believe this target is an attractive alternative to approved antibodies as acting on interleukin-23 (“IL-23”), the IL-17 receptor and IL-17. We have observed strong cytokine inhibition targeting both Th1 and Th17 responses in preclinical testing, as well as indications of activity in animal models for psoriasis, graft versus host disease, MS and IBD. Preclinical experiments indicated that, while leading to a potent inhibition of Th17 differentiation and inhibition of cytokine secretion, IMU-935 did not affect thymocyte maturation, one of the important physiological functions of RORγt that should be maintained. Based on these preclinical data and the selectivity of the effect maintaining important physiological functions while providing the desired anti-Th17 effect, we believe that IMU-935 has potential to be a best-in-class therapy for various autoimmune diseases. The final portion of a Phase 1 clinical trial exploring safety, pharmacodynamics and pharmacokinetics of IMU-935 in psoriasis patients is currently ongoing and we expect initial results to be available in the fourth quarter of 2022. An exploratory Phase 1 trial investigating the drug-drug interaction (“DDI”) potential of IMU-935 was completed in the second quarter of 2022. Additionally, IMU-935 has been shown in preclinical models to target an established mechanism of treatment resistance to androgen receptor therapy, making it a potential treatment option for patients with resistant CRPC. A Phase 1 clinical trial exploring safety and tolerability of increasing doses of IMU-935 to establish the maximum tolerated dose and the recommended Phase 2 dose is currently ongoing in patients with mCRPC.

Our third program, IMU-856, which we believe to be novel, is an orally available small molecule modulator that targets a protein which serves as a transcriptional regulator of intestinal barrier function and regeneration of bowel epithelium. We have not yet disclosed the molecular target for IMU-856 to the public. Based on preclinical data, we believe this compound may represent a new treatment approach, as the mechanism of action targets the restoration of the intestinal barrier function and bowel wall architecture in patients suffering from gastrointestinal diseases such as celiac disease, IBD, irritable bowel syndrome with diarrhea and other intestinal barrier function associated diseases. We believe that, because IMU-856 has been shown in preclinical investigations to avoid suppression of immune cells, it may therefore have the potential to maintain immune surveillance for patients during therapy, an important advantage versus chronic treatment with potentially immunosuppressive medications. A Phase 1 clinical trial exploring safety, pharmacodynamics and pharmacokinetics of IMU-856 in healthy human subjects and celiac disease patients is currently ongoing. Unblinded safety data from the single and multiple ascending dose parts in healthy human subjects are expected to be available in the third quarter of 2022.

We expect to continue to lead most of our research and development activities from our Gräfelfing, Germany location, where dedicated scientific, regulatory, clinical and medical teams conduct their activities. Due to these teams' key relationships with local and international service providers, we anticipate that this will result in timely, cost-effective execution of our development programs. In addition, we are using our subsidiary in Melbourne, Australia to expedite the early clinical trials for IMU-935 and IMU-856. We also conduct preclinical work in Halle/Saale, Germany through a collaboration with the Fraunhofer Institute.

Our business, operating results, financial condition and growth prospects are subject to significant risks and uncertainties, including the failure of our clinical trials to meet their endpoints, failure to obtain regulatory approval and failure to obtain needed additional funding on acceptable terms, if at all, to complete the development and commercialization of our three development programs.

Liquidity and Financial Condition

We have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since our inception in 2016. We have an accumulated deficit of approximately $239.6 million as of June 30, 2022 and $196.9 million as of December 31, 2021. Substantially all of our operating losses resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

We expect to incur significant expenses and increasing operating losses for the foreseeable future as we initiate and continue the preclinical and clinical development of our product candidates and add personnel necessary to advance our clinical pipeline of product candidates. We expect that our operating losses will fluctuate significantly from quarter-to-quarter and year-to-year due to timing of clinical development programs.

From inception through June 30, 2022, we have raised net cash of approximately $299.1 million from private and public offerings of preferred and common stock. As of June 30, 2022, we had cash and cash equivalents of approximately $88.1 million. With these funds, we expect to be able to fund our operations beyond twelve months from the date of the issuance of the accompanying condensed consolidated financial statements.

Recent Events

Phase 1 Clinical Trial of IMU-935 in Healthy Human Subjects and Moderate-to-Severe Psoriasis Patients

On July 12, 2021, we provided an update on our IMU-935 program, including new preclinical and clinical data. The main result from preclinical investigations was that IMU-935 inhibits cytokine production (thought to be a pre-condition for its use in immunological and autoimmune diseases) while maintaining the known and required physiological functions of maturing T lymphocytes. In *ex vivo* mouse cell differentiation and maturation assays, IMU-935 was observed to selectively inhibit RORγt-dependent gene expression during Th17 differentiation without affecting either RORγt-dependent gene regulation relevant to thymocyte development, or the viability of these cells. In third-party research, impairment of thymocyte development has been shown to be associated with serious safety issues, including, among others, T cell malfunction and potential lymphoma formation. We believe that IMU-935's observed selectivity may enable it to inhibit both the generation of Th17 cells and the production of IL-17 cytokines that are responsible for the development of autoimmune diseases, without impairing thymocyte development, which is associated with the potential risk of lymphoma seen with other, third-party RORγt programs.

On December 14, 2021, we provided an update on the preclinical and clinical development of IMU-935, announcing that:

- Unblinded data from the single ascending dose part of the ongoing Phase 1 clinical trial of a new powder-in-capsule formulation of IMU-935, in which healthy human subjects were treated with 100 mg, 200 mg, 300 mg and 400 mg of this new formulation or placebo, found these single ascending daily doses of IMU-935 to be safe and well-tolerated, and no maximum tolerated dose was reached. No serious adverse events occurred. A dose-proportional pharmacokinetic profile was observed across the investigated dose range.

- Unblinded data from the multiple ascending dose part of the ongoing Phase 1 clinical trial, in which healthy human subjects were dosed for 14 days with 150 mg either once or twice daily doses of IMU-935 or placebo, found these multiple ascending doses of IMU-935 to be safe and well-tolerated, and no maximum tolerated dose was reached. Treatment emergent adverse events were generally mild in severity, with moderate treatment emergent adverse events reported in one of eleven IMU-935 treated subjects, compared with one of four subjects on placebo. No serious adverse events were reported. No dose-dependent changes in laboratory values (including no effects on liver enzymes or in hematological parameters), vital signs or in electrocardiographic evaluations were found. Pharmacokinetic analysis showed that stable steady-state plasma concentrations were achieved within the first week of dosing with an accumulation factor for IMU-935 allowing predictable trough levels during daily dosing.

- Based on the favorable safety and tolerability data observed in healthy human subjects, our Phase 1 clinical trial of IMU-935 was expanded in October 2021 to include a third portion, part C, in which moderate-to-severe psoriasis patients are randomized to 28-day treatment of IMU-935 or placebo. Planned assessments include safety, tolerability, pharmacokinetic and pharmacodynamic markers, as well as skin evaluations. Part C is ongoing in Australia, New Zealand and Bulgaria. Initial results are expected to be available in the fourth quarter of 2022.

- In previous preclinical *in vitro* data, it was shown that IMU-935 selectively inhibits Th17 differentiation and IL-17 production, whereas RORγt was unaffected by IMU-935 during thymocyte maturation and, therefore, does not harm normal thymocyte maturation. Data from acute and chronic treatment of mice corroborated *in vivo* that IMU-935 is the first molecule observed to impact neither thymus size, thymocyte numbers, nor the maturation status of thymocytes, in contrast to two other known inhibitors of RORγt.

IMU-935 Composition-of-Matter Patents Granted

On February 2, 2022, we received a Notice of Allowance from the U.S. Patent and Trademark Office ("USPTO") for patent application 16/644581, entitled, “IL-17 and IFN-gamma inhibition for the treatment of autoimmune diseases and chronic inflammation”. We also received notice of allowance of patent application EP18762111.5 in Europe, and notice of grant of patent application 2018330633 in Australia. All three patents cover composition-of-matter of IMU-935 and related formulations, and are expected to provide protection into at least 2038, without accounting for potential Patent Term Extension ("PTE") in the United States or Supplementary Protection Certificates ("SPC") in Europe, respectively.

Results of Exploratory Phase 1 DDI Study of IMU-935

An exploratory Phase 1 study was completed in 15 evaluable healthy human subjects to assess the DDI potential of IMU-935. No relevant signals for DDI potential were observed and treatment was safe and well-tolerated.

Update on Phase 1 Clinical Trial of IMU-935 in mCRPC – Initial Safety Data Available

The first two dose cohorts of the phase 1 clinical trial of IMU-935 in mCRPC have been fully recruited, with 6 patients enrolled in the 300 mg cohort and 6 patients in the 600 mg cohort. Of these patients, all have completed the 28-day dose limiting toxicity (“DLT”) observation period. The third, 900 mg cohort will be started after analysis of the cohort 2 data of the DLT observation period.

Initial safety data available so far show a promising safety profile of IMU-935 in mCRPC, with only benign adverse events and no dose limiting toxicities. We plan to provide a more comprehensive update on safety and also on potential signs of anti-tumor activity of IMU-935 in this trial as soon as data from the planned dose expansion part are available.

The phase 1 clinical trial of IMU-935 in mCRPC is structured in two portions: a dose-escalation part and an optional expansion part. A total of between 18 and 24 patients are planned to be enrolled in the dose-escalation part at three dose levels, 300 mg, 600 mg and 900 mg of daily IMU-935, to be given for three cycles of 28 days each. At each of the three dose levels a safety analysis after 28 days and an interim analysis after three months of treatment will be performed. The main analysis for this trial is planned after the last patient has received six months of study treatment. The primary objective is to evaluate the safety and tolerability of increasing doses of IMU-935 to establish the maximum tolerated dose and the recommended phase 2 dose. The trial will also evaluate the anti-tumor activity of IMU-935 by means of prostate-specific antigen (“PSA”) levels, circulating tumor cell (“CTC”) numbers, and radiographic response assessments of tumor progression. Patients who receive a benefit from IMU-935 will have the option to continue treatment until progression. Following completion of all dose-escalation cohorts, an expansion cohort at one or two therapeutically active dose levels with up to 18 additional patients may be performed to support selection of a recommended phase 2 dose. The trial’s Principal Investigator is Johann Sebastian de Bono, M.D., Ph.D., Regius Professor of Cancer Research and Professor in Experimental Cancer Medicine, The Institute of Cancer Research, London, and The Royal Marsden NHS Foundation Trust, London.

Start of Patient Cohorts in Phase 1 Clinical Trial of IMU-856 in Celiac Disease

On May 5, 2022, we announced the start of the patient cohorts in our ongoing Phase 1 clinical trial of IMU-856 in patients with celiac disease. Part C is structured as a 28-day, double-blind, placebo-controlled trial designed to assess the safety and tolerability of IMU-856 in patients with celiac disease during periods of gluten-free diet and gluten challenge. Approximately 42 patients are planned to be enrolled in two consecutive cohorts with IMU-856 given once-daily over 28 days. Secondary objectives include pharmacokinetics and disease markers, including those evaluating gastrointestinal architecture and inflammation. Approximately 10 sites in Australia and New Zealand are expected to participate in Part C.

Publication of Data From Phase 2 EMPhASIS Trial of Vidofludimus Calcium in RRMS in Peer Reviewed Journal

On June 15, 2022, we announced that data from our Phase 2 EMPhASIS trial of vidofludimus calcium in patients with RRMS has been published in the peer reviewed journal, Annals of Clinical and Translational Neurology. The paper, authored by coordinating investigator, Robert J. Fox, M.D., Staff Neurologist, Mellen Center for Multiple Sclerosis, Vice-Chair for Research, Neurologic Institute, Cleveland Clinic, Cleveland, Ohio, is entitled, "Safety and efficacy of vidofludimus calcium, a selective dihydroorotate dehydrogenase inhibitor, in relapsing-remitting multiple sclerosis (EMPhASIS): a double-blind, randomized, placebo-controlled Phase 2 trial."

Update on the Use of Steroids in the Phase 2 EMPhASIS Trial in RRMS

Based on the observed interaction between vidofludimus calcium and chronic steroid use in the CALDOSE-1 trial in ulcerative colitis patients, we performed a post-hoc analysis of our Phase 2 EMPhASIS data in RRMS patients to explore the potential influence of steroids on these study results. As anticipated, steroid use was rare and among those RRMS patients who received any steroids, the majority received only short steroid courses following relapse events or acute neurological events. Only four patients received any steroids for reasons other than relapse (COVID-19 infection, eczema, acute bronchitis, and contact urticaria, one patient each). Most patients only had one single short course of steroids, and only nine patients had two or more steroid courses. The average duration of steroid treatment in this RRMS trial was 4.4 days with a maximum duration of 10 days. This indicates to us that steroids are rarely used in MS patients and mostly for a very short duration. In conclusion, comparing patients who received at least one dose of corticosteroids with those who did not, we do not see any difference in clinical parameters or any evidence that the rare, short-term use of steroids in RRMS patients has any influence on the effectiveness of vidofludimus calcium in this patient population.

Top-Line Data from Phase 2 CALDOSE-1 Trial of Vidofludimus Calcium in Patients with Moderate-to-Severe Ulcerative Colitis

On June 2, 2022, we reported top-line data from our Phase 2 CALDOSE-1 trial of vidofludimus calcium in patients with moderate-to-severe ulcerative colitis ("UC"). The trial did not achieve the primary endpoint of clinical remission for the pooled 30 and 45 mg/day active dose groups of vidofludimus calcium versus placebo at week 10. In addition, no meaningful differences were observed between the three active dose groups for the overall intent-to-treat patient population (10 mg/day: 14.9%, 30 mg/day: 10.6%, 45 mg/day: 13.6%, placebo: 12.5%) or for the trial's other secondary endpoints, including symptomatic remission, or endoscopic healing.

Consistent with prior data sets in other patient populations, administration of vidofludimus calcium in this trial was observed to be safe and well-tolerated. No new safety signals were observed. As compared to placebo, there were no increased rates of infections and infestations, no elevated rates of liver events or liver enzyme elevations, and no elevated rates for changes in hematology-related laboratory variables. The most common adverse events in this trial were anemia (15/263 patients, 5.7%), headache (9/263 patients, 3.4%) and COVID-19 (7/263 patients, 2.7%). Most adverse events were generally mild in severity.

As is common for the design of clinical trials in UC, the use of oral systemic corticosteroids (≤20 mg/day prednisolone equivalent) was allowed in CALDOSE-1 in patients who had been treated with corticosteroids for at least four weeks before randomization. Doses of corticosteroids were required to be kept constant throughout the induction phase (weaning was not allowed in this phase of the trial), and the distribution of patients using corticosteroids was equal throughout all treatment groups. Surprisingly, CALDOSE-1 data suggest a previously unknown treatment interference between the efficacy of vidofludimus calcium and the concurrent use of corticosteroids in the UC patient population. More specifically, the non-steroid patient population showed an 11.4% advantage in clinical remission for vidofludimus calcium over placebo (pooled vidofludimus calcium treatment groups at week 10: 14.7%, placebo: 3.3%). Such a difference in clinical remission between active treatment and placebo would traditionally be considered as confirming therapeutic activity. In contrast, patients

concomitantly taking vidofludimus calcium and corticosteroids during induction treatment had a lower rate of clinical remission at week 10 (11.5%) than placebo patients (20.6%) and also lower than the group of vidofludimus calcium monotherapy without concurrent use of steroids (14.7%). This treatment interference between vidofludimus calcium and corticosteroids was not expected by currently available preclinical or clinical data.

Based on these results, we announced that our development programs in the IBD indications will not be continued without a partner.

Investigator-Sponsored Phase 2 IONIC Trial in Moderate-to-Severe COVID-19 is Closing Down

On June 23, 2022, sponsor and lead site, University Hospitals Coventry and Warwickshire NHS Trust, London, United Kingdom, informed us that the investigator-sponsored Phase 2 IONIC trial for the treatment of patients with moderate-to-severe COVID-19 is being closed down. Recruitment for the trial ended on May 20, 2022 and the last patient follow-up is due on September 21, 2022. The trial was a prospective, randomized, parallel-group, open-label Phase 2b trial, designed to evaluate efficacy and safety of vidofludimus calcium in combination with the neuraminidase inhibitor, Oseltamivir (Tamiflu®), in approximately 120 adult patients with moderate-to-severe COVID-19.

Changes in Board of Directors

On July 6, 2022, we announced the appointment of Monika Maria Törnsén as a member of our Board of Directors, effective as of July 5, 2022. As a Class III director, Ms. Törnsén's term lasts until the Company's 2023 annual meeting of stockholders. Concurrently, we also announced that current Class III director, Jan Van den Bossche, resigned from the Board. The Board accepted Mr. Van den Bossche's resignation effective July 5, 2022. Mr. Van den Bossche's decision to resign did not result from any disagreement with the Company on any matter relating to Company operations, policies or practices.

Executive Chairman Agreement with Duane Nash

On April 15, 2020, the compensation committee of the Board of Directors of the Company independently reviewed and approved entering into an employment agreement with the current Chairman of the Board, Duane Nash, MD, JD, MBA (the "Executive Chairman Agreement") and pursuant to such approval, on April 17, 2020, the Company and Dr. Nash entered into the Executive Chairman Agreement. The Executive Chairman Agreement establishes an "at will" employment relationship pursuant to which Dr. Nash serves as Executive Chairman and contemplated a term that ends on October 15, 2020, which was subsequently extended to April 15, 2021. On April 15, 2021, the Company and Dr. Nash entered into an addendum (the "Addendum") to extend the term of the Executive Chairman Agreement to April 15, 2022. In connection with the Addendum, the Company made a one-time award to Dr. Nash of an option to purchase 90,000 shares of Company common stock, which vests monthly commencing on May 15, 2021, and to increase Dr. Nash's monthly base salary to $27,960 from $25,417. Effective March 15, 2022, the Company extended the term of employment from April 15, 2022 to December 31, 2022 with a base salary of $29,358 per month (which includes the cash retainer payable for serving on the Company's Board or for acting as the Chairman of the Board). In connection with this extension, the Company made a one-time award to Dr. Nash of an option to purchase 75,000 shares of the Company's common stock, which vests monthly commencing on April 10, 2022. All other terms of the Executive Chairman Agreement remain the same.

Components of Results of Operations

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from the sale of products in the foreseeable future. If our development efforts for our product candidates are successful and result in regulatory approval, we may generate revenue in the future from product sales. We cannot predict if, when, or to what extent we will generate revenue from the commercialization and sale of our product candidates. We may never succeed in obtaining regulatory approval for any of our product candidates or achieving market acceptance and commercial success for any product that does receive regulatory approval.

Research and Development Expenses

Research and development expenses consist of costs associated with our research activities, including our product discovery efforts and the development of our product candidates. Our research and development expenses include:

- external research and development expenses and milestone payments incurred under arrangements with third parties, such as CROs, contract manufacturing organizations, collaborations with partners, consultants, and our scientific advisors; and

- internal personnel expenses.

We expense research and development costs as incurred. Non-refundable advance payments for goods and services that will be used in future research and development activities are capitalized as prepaid expenses and expensed when the service has been performed or when the goods have been received.

Since our inception in March 2016, we have spent a total of approximately $177.3 million in research and development expenses through June 30, 2022.

These costs primarily include external development expenses and internal personnel expenses for the three development programs, vidofludimus calcium, IMU-935 and IMU-856. We have spent the majority of our research and development resources on vidofludimus calcium, our lead development program for clinical trials in MS, UC, COVID-19 and PSC.

In August 2019, Immunic AG received a grant of up to approximately $730,000 from the German Federal Ministry of Education and Research, in support of the InnoMuNiCH (Innovations through Munich-Nippon Cooperation in Healthcare) project. The grant funds will be used to fund a three-year research project relating to autoimmune diseases by us and our three project partners. Since the inception of the grant, we have recorded $457,000 of income in total of which $100,000 and $178,000 of which were recorded in 2022 and 2021, respectively, and were classified in Other Income in the accompanying consolidated statement of operations.

Our research and development expenses are expected to increase in the foreseeable future as we continue to conduct ongoing regulatory and development activities, initiate new preclinical and clinical trials and build our pipeline of product candidates. The process of conducting clinical trials and preclinical studies necessary to obtain regulatory approval is costly and time consuming. We may never succeed in achieving regulatory approval for any of our product candidates.

Successful development of product candidates is highly uncertain and may not result in approved products. Completion dates and completion costs can vary significantly for each product candidate and are difficult to predict. We anticipate that we will make determinations as to which programs to pursue and how much funding to direct to each program on an ongoing basis in response to the development and regulatory success of each product candidate, and ongoing assessments as to each product candidate's commercial potential.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel expenses, professional fees for legal, accounting, tax and business consulting services, insurance premiums and stock-based compensation.

Other Income (Expense), Net

Interest Income

Interest income consists of interest earned on our money market funds and bank accounts which are a portion of our cash and cash equivalents balance. Our interest income has not been significant due to low interest rates earned on invested balances.

Other Income (Expense), Net

Other income (expense) consists primarily of a research and development tax incentive related to clinical trials performed in Australia and foreign currency transaction gains and losses related to long-term intercompany loans that are payable in the foreseeable future.

Results of Operations

Comparison of the Three Months Ended June 30, 2022 and 2021

The following table summarizes our operating expenses for the three months ended June 30, 2022 and 2021:

	Three Months Ended June 30,		Change	
	2022	2021	$	%
(dollars in thousands)	(unaudited)			
Operating expenses:				
Research and development	$ 16,538	$ 15,738	$ 800	5 %
General and administrative	4,072	3,432	640	19 %
4SC royalty settlement (see Note 4)	—	—	—	N/A
Total operating expenses	20,610	19,170	1,440	8 %
Loss from operations	(20,610)	(19,170)	(1,440)	8 %
Total other income (expense)	(1,291)	1,236	(2,527)	(204)%
Net loss	$ (21,901)	$ (17,934)	$ (3,967)	22 %

Research and development expenses increased by $0.8 million during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021. The increase reflects (i) a $1.5 million increase in external development costs related to the Phase 3 program of vidofludimus calcium in relapsing multiple sclerosis, (ii) a $0.9 million increase in external development costs related to the Phase 2 trial of vidofludimus calcium in progressive multiple sclerosis, (iii) a $1.2 million increase in external development costs related to the clinical studies of IMU-935, (iv) a $0.7 million increase in personnel expense in research and development, $0.3 million of which is related to non-cash stock compensation expense and the remainder of which is related to an increase in headcount, and (v) $0.4 million related to increased costs across numerous categories. The increases were partially offset by (i) a $1.4 million decrease in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in COVID-19, (ii) a decrease of $1.3 million in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in ulcerative colitis, (iii) a decrease of $0.5 million in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in relapsing-remitting multiple sclerosis, and (iv) a decrease of $0.7 million across numerous categories.

General and administrative expenses increased by $0.6 million during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021. The increase was primarily due to a $0.6 million increase in personnel expense in general and administrative, $0.3 million of which is related to non-cash stock compensation expense and the remainder of which is related to an increase of headcount.

Other income decreased by $2.5 million during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021. The decrease was primarily attributable to (i) a $2.3 million increase in the loss on an intercompany loan between Immunic, Inc. and Immunic AG as a result of changes in currency exchange rates, (ii) a $0.2 million foreign exchange loss in the second quarter of 2022 on an intercompany loan between Immunic AG and Immunic Australia Pty Ltd.

Comparison of the Six Months Ended June 30, 2022 and 2021

The following table summarizes our operating expenses for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,		Change	
	2022	2021	$	%
(dollars in thousands)		(unaudited)		
Operating expenses:				
Research and development	$ 33,983	$ 27,257	$ 6,726	25 %
General and administrative	8,062	7,050	1,012	14 %
4SC royalty settlement (see Note 4)	—	17,250	(17,250)	N/A
Total operating expenses	$ 42,045	$ 51,557	$ (9,512)	(18)%
Loss from operations	(42,045)	(51,557)	9,512	(18)%
Total other income (expense)	(664)	(911)	247	(27)%
Net loss	(42,709)	$ (52,468)	$ 9,759	(19)%

Research and development expenses increased by $6.7 million during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The increase reflects (i) a $5.4 million increase in external development costs related to the Phase 3 program of vidofludimus calcium in relapsing multiple sclerosis, (ii) a $2.9 million increase in external development costs related to the Phase 2 trial of vidofludimus calcium in progressive multiple sclerosis, (iii) a $3.1 million increase in external development costs related to the clinical studies of IMU-935, (iv) a $1.8 million increase in personnel expense in research and development, $0.7 million of which is related to non-cash stock compensation expense and the remainder of which is related to an increase in headcount, (v) a $0.5 million increase in external development costs related to the Phase 1 clinical trial of IMU-856, and (vi) $0.2 million related to increased costs across numerous categories. The increases were partially offset by (i) a $3.1 million decrease in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in COVID-19, (ii) a decrease of $2.0 million in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in ulcerative colitis, (iii) a decrease of $1.2 million in external development costs related to the Phase 2 clinical trial of vidofludimus calcium in relapsing-remitting multiple sclerosis, and (iv) a decrease of $0.9 million in external development costs across numerous categories.

General and administrative expenses increased by $1.0 million during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The increase was primarily due to (i) a $0.9 million increase in personnel expense in general and administrative, $0.3 million of which is related to non-cash stock compensation expense and the remainder of which is related to an increase in headcount, and (ii) a $0.1 million increase across numerous categories.

On March 31, 2021, Immunic AG and 4SC AG entered into a Settlement Agreement, pursuant to which Immunic AG settled its remaining obligation of the 4.4% royalty on net sales for $17.25 million (Tranche III of the Agreement). The payment was made 50% in cash and 50% in shares of Immunic's common stock. No further payment obligations remain between Immunic and 4SC AG.

Other expense decreased by $0.2 million during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The decrease was primarily attributable to (i) a $0.3 million increase in research and development tax incentives for clinical trials in Australia as a result of increased spending on clinical trials in Australia, and (ii) a $0.2 million foreign exchange gain in the first two quarters of 2022 on an intercompany loan between Immunic AG and Immunic Australia Pty Ltd. The increase was partially offset by a $0.3 million increase in the loss on an intercompany loan between Immunic, Inc. and Immunic AG.

Liquidity and Capital Resources

Financial Condition

We have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since our inception in 2016. We have an accumulated deficit of approximately $239.6 million at June 30, 2022 and $196.9 million as of December 31, 2021. Substantially all of our operating losses resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future as we initiate and continue the preclinical and clinical development of our product candidates and add personnel necessary to operate as a company with an advanced clinical pipeline of product candidates. To the extent additional funds are necessary to meet long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of indebtedness, additional equity financings or a combination of these potential sources of funds, although we can provide no assurance that these sources of funding will be available on reasonable terms.

From inception through July 31, 2022, we have raised net cash of approximately $299.1 million from private and public offerings of preferred and common stock. As of June 30, 2022, we had cash and cash equivalents of approximately $88.1 million. With these funds, we expect to be able to fund our operations beyond twelve months from the date of the issuance of the accompanying condensed consolidated financial statements.

In November 2020, we filed a shelf registration statement on Form S-3 (the "2020 Shelf Registration Statement"). The 2020 Shelf Registration Statement permits the offering, issuance and sale of up to $250.0 million of common stock, preferred stock, warrants, debt securities, and/or units in one or more offerings and in any combination of the foregoing.

In December 2020, we filed a Prospectus Supplement for the offering, issuance and sale of up to a maximum aggregate offering price of $50.0 million of common stock that may be issued and sold under an at-the-market sales agreement with SVB Leerink as agent. We have used and intend to continue to use the net proceeds from the offering to continue to fund the ongoing clinical development of our product candidates and for other general corporate purposes, including funding existing and potential new clinical programs and product candidates. The December 2020 ATM will terminate upon the earlier of (i) the issuance and sale of all of the shares through SVB Leerink on the terms and subject to the conditions set forth in the December 2020 ATM or (ii) termination of the December 2020 ATM as otherwise permitted thereby. The December 2020 ATM may be terminated at any time by either party upon ten days' prior notice, or by SVB Leerink at any time in certain circumstances, including the occurrence of a material adverse effect on us. As of July 31, 2022, $8.4 million in capacity remains under the December 2020 ATM.

In May 2022, we filed a Prospectus Supplement for the offering, issuance and sale of up to a maximum aggregate offering price of $80.0 million of common stock that may be issued and sold under another at-the-market sales agreement ("May 2022 ATM") with SVB Leerink as agent. We intend to use the net proceeds from the offering to continue to fund the ongoing clinical development of our product candidates and for other general corporate purposes, including funding existing and potential new clinical programs and product candidates. The May 2022 ATM will terminate upon the earlier of (i) the issuance and sale of all of the shares through SVB Leerink on the terms and subject to the conditions set forth in the May 2022 ATM or (ii) termination of the May 2022 ATM as otherwise permitted thereby. The May 2022 ATM may be terminated at any time by either party upon ten days' prior notice, or by SVB Leerink at any time in certain circumstances, including the occurrence of a material adverse effect on the Company. As of July 31, 2022, $80.0 million in capacity remains under the April 2022 ATM.

In the three months ended June 30, 2022, we raised gross proceeds of $10.3 million pursuant to the December 2020 ATM through the sale of 1,300,000 shares of common stock at a weighted average price of $7.90 per share. The net proceeds from the December 2020 ATM were $10.0 million after deducting underwriter commissions of $0.3 million. In the six months ended June 30, 2022, we raised gross proceeds of $40.9 million pursuant to the December 2020 ATM through the sale of 4,204,113 shares of common stock at a weighted average price of $9.72 per share. The net proceeds from the December 2020 ATM were $39.6 million after deducting underwriter commissions of $1.2 million.

The Company did not have any ATM activity during the three or six months ended June 30, 2021.

Future Capital Requirements

As noted above, we have not generated any revenue from product sales and we do not know when, or if, we will generate any revenue from product sales. We do not expect to generate any revenue from product sales unless and until we obtain regulatory approval for and commercialize any of our product candidates. At the same time, we expect our expenses to increase as we continue the ongoing research, development, manufacture and clinical trials of, and seek regulatory approval for, our product candidates. We expect to incur additional costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of our product candidates, we anticipate that we will need substantial additional funding in connection with our continuing operations.

Our future expenses and capital requirements are difficult to forecast and will depend on many factors, including, but not limited to:

- the timing and structure of any strategic options and transactions, if any;
- the cost, timing and outcome of any future litigation;
- personnel-related expenses, including salaries, benefits, stock-based compensation expense and other compensation expenses related to retention and termination of personnel;
- the scope, progress, results and costs of research and development and ongoing clinical trials;
- the cost and timing of future regulatory submissions;
- the cost and timing of developing and validating the manufacturing processes for any potential product candidates;
- the cost and timing of any commercialization activities, including reimbursement, marketing, sales and distribution costs;
- our ability to establish new collaborations, licensing or other arrangements and the financial terms of such agreements;
- the number and characteristics of any future product candidates we pursue;
- the costs involved with being a public company;
- the costs involved in preparing, filing, prosecuting, maintaining, defending and enforcing patents, including litigation costs and the outcome of such litigation; and
- the timing, receipt and amount from the sales of, or royalties on, any future products.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of stock offerings, debt financings, strategic alliances, collaborations and licensing arrangements. We do not expect to achieve revenue from product sales prior to the use of the net proceeds from our public and private offerings to date. We do not have any committed external source of funds. Additional funds may not be available on acceptable terms, if at all. To the extent that we raise additional capital through the sale of equity securities, the ownership interest of our stockholders will be diluted and it may be on terms that are not favorable to us or our stockholders. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt or other terms that are not favorable to us or our stockholders. If we raise additional funds through collaborations and licensing arrangements with third parties, we would expect to relinquish substantial rights to our technologies or our future products, or grant licenses on terms that may not be favorable to us. If we were to complete a merger, we may relinquish all control over the organization and could experience detrimental tax effects. If we are unable to raise adequate funds, we may have to liquidate some or all of our assets. Any of these factors could harm our operating results and could result in substantial declines in the trading price of our common stock.

As of June 30, 2022, we had cash and cash equivalents of approximately $88.1 million.

Cash Flows

The following table shows a summary of our cash flows for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
(in thousands)	**(unaudited)**	
Cash (used in) provided by:		
Operating activities	$ (36,444)	$ (41,953)
Investing activities	(40)	(28)
Financing activities	39,719	—

Operating activities

During the six months ended June 30, 2022, operating activities used $36.4 million of cash. The use of cash primarily resulted from (i) our net loss of $42.7 million adjusted for non-cash charges of $6.3 million related to $2.1 million for an unrealized foreign currency loss and $4.2 million related to stock-based compensation and depreciation and amortization while our net change in operating assets and liabilities remained flat. Changes in our operating assets and liabilities during the six months ended June 30, 2022 consisted primarily of (i) a $0.1 million increase in our other current assets and prepaid expenses partially offset by an decrease of $0.1 million in our other current liabilities.

During the six months ended June 30, 2021, operating activities used $42.0 million of cash. The use of cash primarily resulted from (i) our net loss of $52.5 million adjusted for non-cash charges of $8.6 million related to common stock issued for the 4SC AG transaction, $1.9 million for an unrealized foreign currency loss, $3.1 million related to stock-based compensation and depreciation and amortization as well as a $3.1 million net increase in our operating assets and liabilities. Changes in our operating assets and liabilities during the six months ended June 30, 2021 consisted primarily of (i) an increase of $8.6 million in other current assets and prepaid expenses, partially offset by an increase of $5.5 million in our other current liabilities

Investing activities

Net cash used in investing activities was $40,000 and $28,000 during the six months ended June 30, 2022, and 2021, respectively, which was related to the purchase of property and equipment.

Financing Activities

Net cash provided by financing activities was $39.7 million during the six months ended June 30, 2022 consisting primarily of net cash proceeds from the sale of common stock under our ATM facility.

There were no cash based financing activities during the six months ended June 30, 2021.

Off-Balance Sheet Arrangements

Through June 30, 2022, we have not entered into and did not have any relationships with unconsolidated entities or financial collaborations, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purpose.

Contractual Obligations

Maturities of the operating lease obligation are as follows as of June 30, 2022:

2022	$	219,000
2023		289,000
2024		214,000
2025		107,000
2026		—
Total		829,000
Interest		62,000
PV of obligation	$	767,000

As of June 30, 2022, we have non-cancelable contractual obligations under certain agreements related to our development programs vidofludimus calcium, IMU-935 and IMU-856 totaling approximately $2.6 million, all of which is expected to be paid in the next twelve months.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in conformity with U.S. GAAP. The preparation of our unaudited condensed consolidated financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, costs and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions. We have reviewed these critical accounting policies and related disclosures with the Audit Committee of our Board.

During the first six months of 2022, there were no significant changes in our critical accounting policies or in the methodology used for estimates. Our significant accounting policies are described in more detail in (i) Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report and (ii) our audited consolidated financial statements for the years ended December 31, 2021 and 2020 filed in our Annual Report on Form 10-K on February 24, 2022.

Recently Issued Accounting Standards

There are no recently issued accounting standards that would have a significant impact on the company's consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity

We had cash and cash equivalents of $88.1 million as of June 30, 2022, which were held for working capital purposes. We do not enter into investments for trading or speculative purposes. We do not believe that we have any material exposure to changes in the fair value of these investments as a result of changes in interest rates due to their short-term nature. However, $23.9 million of these funds are held in German bank accounts that were earning no interest as of July 31, 2022. Decreases or increases in interest rates, however, will reduce or increase future investment income, respectively, to the extent we have funds available for investment.

Foreign Currency Exchange Risk

Our primary research and development operations are conducted in our facilities in Germany. We have entered and may continue to enter into international agreements, primarily related to our clinical studies. Accordingly, we have exposure to foreign currency exchange rates and fluctuations between the U.S. dollar and foreign currencies, primarily the euro and the Australian dollar, which could adversely affect our financial results, including income and losses as well as assets and liabilities. To date, we have not entered into, and do not have any current plans to enter into, any foreign currency hedging transactions or derivative financial transactions. Our exposure to foreign currency risk will fluctuate in future periods as our research and clinical development activities in Europe and Australia change. We currently maintain a significant amount of our assets outside of the U.S.

The functional currencies of our foreign subsidiaries are the applicable local currencies. Accordingly, the effects of exchange rate fluctuations on the net assets of these operations are accounted for as translation gains or losses in accumulated other comprehensive income (loss) within stockholders' equity. Foreign currency transaction gains and losses related to long-term intercompany loans that are payable in the foreseeable future are recorded in Other Income (Expense). Our German subsidiaries are currently a significant portion of our business and, accordingly, a change of 10% in the currency exchange rates, primarily the euro, could have a material impact on their financial position or results of operations.

Although operating in local currencies may limit the impact of currency rate fluctuations on the results of operations of our German and Australian subsidiaries, rate fluctuations may impact the consolidated financial position as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our condensed consolidated balance sheets. As of June 30, 2022, our German and Australian subsidiaries had net current assets (defined as current assets less current liabilities), subject to foreign currency translation risk, of $30.6 million. A decrease of approximately $3.1 million in net current assets would result as of June 30, 2022, from a hypothetical 10% adverse change in quoted foreign currency exchange rates, primarily due to the euro. In addition, a 10% change in the foreign currency exchange rates for the six months ended June 30, 2022, would have impacted our net loss by approximately $3.5 million, primarily due to the euro.

Effects of Inflation

We do not believe that inflation and changing prices had a significant impact on our results of operations for any periods presented herein.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out, under the supervision of and with the participation of our management, including our Chief Executive Officer and our Principal Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15 (e)) under the Securities Exchange Act of 1934 ("the Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and our Principal Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports we file or submit under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the six months ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently a party to any litigation, nor are we aware of any pending or threatened litigation against us, that we believe would materially affect our business, operating results, financial condition or cash flows. Our industry is characterized by frequent claims and litigation including securities litigation, claims regarding patent and other intellectual property rights and claims for product liability. It is not uncommon for lawsuits to be filed alleging lack of process or breach of fiduciary duties by directors, and we may face such suits in the future. As a result, in the future, we may be involved in various legal proceedings from time to time.

Item 1A. Risk Factors

Our clinical trials could be delayed or suspended, and costs would increase, as a result of the military action by Russia in the Ukraine.

In February 2022, Russia invaded Ukraine. As a result, the United States and other countries imposed economic and other sanctions on Russia and could impose further sanctions, which may disrupt international commerce and damage the global economy. The continuing conflict may impair our ability to recruit patients in Ukraine, Russia and Belarus for current and upcoming clinical trials, which could result in delays of our trials and additional recruitment costs. Although we are making efforts to compensate for our temporary stop of patient recruitment in Ukraine, Russia and Belarus, seeking activation of other countries and additional sites in currently participating countries, the broader or longer-term consequences of this conflict or the sanctions imposed to date or in the future could adversely affect clinical trials we are currently conducting or are planning to conduct in this region by delaying or preventing their completion and increasing our costs. Alternative sites to fully and timely compensate for delays in our clinical trial activities in Ukraine, Russia and Belarus may not be available or may not fully compensate for a lack of enrollment in Ukraine, Russia and Belarus. Although the route, length and impact of this continuing conflict are highly unpredictable, vendors, investigators or clinical trial sites in Ukraine, Russia and Belarus could suspend or terminate any trials being conducted, and patients could be forced to discontinue further study participation or to evacuate or voluntarily choose to relocate far from clinical trial sites, making them unavailable for further dosing or necessary follow-up. If our clinical trials are materially interrupted or otherwise negatively impacted, we may have insufficient data to support regulatory approvals of vidofludimus calcium, and any commercialization may be delayed, which could limit our potential revenue and hurt the competitive position of any products we may successfully develop.

Uncertainty in global economic conditions could negatively affect our business, results of operations and financial condition.

We have significant goodwill recorded on our consolidated balance sheets as of December 31, 2021. We will continue to evaluate the recoverability of the carrying amount of our goodwill on an ongoing basis, and we may incur substantial impairment charges, which would adversely affect our consolidated financial results. There can be no assurance that the outcome of such reviews in the future will not result in substantial impairment charges. Impairment assessment inherently involves judgment as to assumptions about expected future cash flows and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions as to prices, costs, holding periods or other factors that may result in changes in our estimates of future cash flows. Although we believe the assumptions we used in

testing for impairment are reasonable, significant changes in any one of our assumptions could produce a significantly different result.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBITS

Exhibit Number	Exhibit Title	Incorporated by Reference		
		Form	Exhibit	Filing Date
3.1	Amended and Restated Articles of Incorporation.	8-K	3.1	July 17, 2019
3.2	Third Amended and Restated Bylaws.	8-K	3.1	July 17, 2019
4.1	2019 Omnibus Equity Incentive Plan.	S-8	4.1	September 20, 2019
4.2*	Description of Registrant's Securities	8-K	4.2	February 26, 2020
10.1	Sales Agreement, dated July 17, 2019, between Immunic, Inc. and SVB Leerink LLC.	8-K	10.1	July 17, 2019
10.2	Option and License Agreement, dated September 27, 2018, between Immunic AG and Daiichi Sankyo Company, Ltd.	8-K	10.2	July 17, 2019
10.3	Asset Purchase Agreement, dated May 13, 2016, between Immunic AG and 4SC AG.	8-K	10.3	July 17, 2019
10.4+	Form of Indemnification Agreement.	8-K	10.4	July 17, 2019
10.5+	Employment Agreement between Dr. Daniel Vitt and Immunic AG.	8-K	10.5	July 17, 2019
10.6+	Addendum to Service Agreement between Immunic AG and Dr. Daniel Vitt.	8-K	10.1	September 5, 2019
10.7+	Employment Agreement between Dr. Manfred Groeppel and Immunic AG.	8-K	10.6	July 17, 2019
10.8+	Addendum to Service Agreement between Immunic AG and Dr. Manfred Groeppel.	8-K	10.2	September 5, 2019
10.9+	Employment Agreement dated April 17, 2020, between Immunic, Inc. and Duane Nash.	8-K	10.2	April 20, 2020
10.10+	Second Addendum to Employment Agreement dated October 15, 2020, between Immunic, Inc. and Duane Nash.	8-K	10.1	April 19, 2021
10.11	Placement Agency Agreement, dated April 23, 2020, between Immunic, Inc. and Roth Capital Partners, LLC	8-K	10.1	April 20, 2020

10.12	Form of Securities Purchase Agreement, dated April 23, 2020, between Immunic, Inc. and the investors party thereto.	8-K	10.2	April 20, 2020
10.13	Placement Agency Agreement, dated June 10, 2020, between Immunic, Inc. and the Roth Partners, LLC	8-K	10.1	June 12, 2020
10.14	Form of Securities Purchase Agreement, dated June 10, 2020, between Immunic, Inc. and the investors party thereto	8-K	10.2	June 12, 2020
10.15	Underwriting Agreement, dated August 4, 2020, by and between Immunic, Inc. and SVB Leerink LLC.	8-K	1.1	August 10, 2020
10.16	Finance Contract, dated October 19, 2020, between Immunic, Inc., Immunic AG and European Investment Bank	8-K	10.1	October 20, 2020
10.17	Form of Guarantee Agreement between Immunic, Inc., Immunic AG and European Investment Bank.	8-K	10.2	October 20, 2020
10.18	Sales Agreement, dated December 29, 2020 between Immunic, Inc. and SVB Leerink LLC	8-K	10.1	January 4, 2021
10.19	Amendment Letter, dated November 11, 2020	8-K	10.1	November 13, 2020
10.20	Settlement Agreement, dated March 31, 2021, between Immunic AG and 4SC AG.	8-K	10.1	March 31, 2021
10.21+	Addendum No. 2 to Employment Agreement dated April 15, 2021 between Immunic, Inc. and Duane Nash	8-K	10.1	April 15, 2021
10.22+	Second Addendum to Service Agreement between Immunic AG and Dr. Daniel Vitt	8-K	10.1	June 10, 2021
10.23+	Second Addendum, dated June 10, 2021 to Service Agreement between Immunic AG and Dr. Andreas Muehler	8-K	10.2	June 10, 2021
10.24+	Employment Agreement, dated June 10, 2021 between Immunic, Inc. and Dr. Andreas Muehler	8-K	10.3	June 10, 2021
10.25+	Employment Agreement, dated June 10, 2021 between Immunic, Inc. and Glenn Whaley	8-K	10.4	June 10, 2021
10.26+	Underwriting Agreement, dated July 15, 2021, by and between Immunic, Inc. and Piper Sandler & Co	8-K	1.1	July 15, 2021
10.27+	Employment Agreement, dated October 14, 2021, between Immunic, Inc. and Patrick Walsh	8-K	10.1	October 14, 2021
10.28+	Third Addendum, dated January 5, 2022, to Service Agreement between Immunic AG and Dr. Daniel Vitt	8-K	10.1	January 10, 2022
10.29+	Third Addendum, dated January 5, 2022, to Service Agreement between Immunic AG and Dr. Andreas Muehler	8-K	10.2	January 10, 2022
10.30+	Third Addendum, dated January 5, 2022, to Service Agreement between Immunic AG and Dr. Hella Kohlhof	8-K	10.3	January 10, 2022
10.31+	Addendum No. 3 to Employment Agreement, dated March 15, 2022, between Immunic, Inc. and Duane Nash	8-K	10.1	March 15, 2022
10.32	Sales Agreement dated as of May 2, 2022, between SVB Securities LLC and Immunic, Inc.	8-K	10.1	May 2, 2022
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			

31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
99.1+	Employment Agreement, dated September 4, 2019, between Immunic, Inc. and Dr. Andreas Muehler.	8-K	99.3	September 5, 2019
99.2+	Addendum, dated September 4, 2019, to Service Agreement between Immunic AG and Dr. Andreas Muehler.	8-K	99.2	September 5, 2019
99.3+	Addendum, dated September 4, 2019, to Service Agreement between Immunic AG and Dr. Hella Kohlhof.	8-K	99.4	September 5, 2019
99.4+	Second Addendum, dated June 10, 2021, to Service Agreement between Immunic AG and Dr. Hella Kohlhof	8-K	99.2	June 10, 2021
101.INS*	XBRL Instance Document.			
101.SCH*	XBRL Taxonomy Extension Schema Document.			
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.			
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Database.			
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.			
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.			
104*	Cover Page Interactive Data File			

+ Indicates a management contract or compensatory plan or arrangement.

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IMMUNIC, INC.

Date: August 4, 2022 By: /s/ Daniel Vitt

Daniel Vitt
Chief Executive Officer and President

Exhibit 4.2

DESCRIPTION OF CAPITAL STOCK

General

Our authorized capital stock consists of 130,000,000 shares of common stock, par value $0.0001 per share, and 20,000,000 shares of preferred stock, par value $0.0001 per share.

The following description of our common stock summarizes its material terms and provisions, but it is not complete. For the complete terms of our common stock, please refer to our certificate of incorporation and our bylaws that are incorporated by reference into the Annual Report on Form 10-K of which this exhibit is a part.

Common Stock

As of December 31, 2020, there were 21,168,240 shares of common stock outstanding. The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. The holders of common stock are not entitled to cumulative voting rights with respect to the election of directors, and as a consequence, minority stockholders will not be able to elect directors on the basis of their votes alone.

Subject to preferences that may be applicable to any then outstanding shares of preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of us, holders of the common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preferences of any then outstanding shares of preferred stock. Holders of common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to our common stock. All outstanding shares of common stock are fully paid and non-assessable. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any of our outstanding preferred stock.

Listing

Our common stock is listed on the Nasdaq Global Select Market under the symbol “IMUX.”

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company, LLC (“AST”). The transfer agent and registrar’s address is 6201 15th Avenue, Brooklyn, New York 11219.

Dividends

We have not declared any cash dividends on our common stock since inception and we do not anticipate paying any cash dividends on our common stock in the foreseeable future.

Possible Anti-Takeover Effects of Delaware Law and our Charter Documents

Some provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could make the following transactions more difficult: an acquisition of us by means of a tender offer, an acquisition of us by means of a proxy contest or otherwise, or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interest, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law (the "DGCL"), an anti-takeover statute. In general, Section 203 of the DGCL prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years following the time the person became an interested stockholder, unless the business combination or the acquisition of shares that resulted in a stockholder becoming an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years prior to the determination of interested stockholder status did own) 15% or more of a corporation's voting stock. The existence of this provision would be expected to have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by our stockholders.

Undesignated Preferred Stock.

The ability of our board of directors, without action by the stockholders, to issue up to 20,000,000 shares of undesignated preferred stock with voting or other rights or preferences as designated by our board of directors could impede the success of any attempt to effect a change in control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of our company.

Requirements for Advance Notification of Stockholder Nominations and Proposals.

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent.

Our amended and restated certificate of incorporation eliminates the right of stockholders to act by written consent without a meeting.

Staggered Board.

Our board of directors is divided into three classes. The directors in each class will serve for a three-year term, one class being elected each year by our stockholders. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us, because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors.

Our amended and restated certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of the holders of at least two-thirds in voting power of the outstanding shares of stock entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting.

Our amended and restated certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

Authorized but Unissued Shares

Our authorized but unissued shares of common stock and preferred stock will be available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including future public offerings to raise additional capital, to fund acquisitions and as employee compensation. The existence of authorized but unissued shares of undesignated preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary

obligations, our board of directors were to determine that a takeover proposal is not in the best interests of us or our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer, stockholder or stockholder group. The rights of holders of our common stock described above will be subject to, and may be adversely affected by, the rights of any preferred stock that we may designate and issue in the future. The issuance of shares of undesignated preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

Director Liability

Our bylaws limit the extent to which our directors are personally liable to us and our stockholders, to the fullest extent permitted by the DGCL. The inclusion of this provision in our bylaws may reduce the likelihood of derivative litigation against directors and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care.

The provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in the composition of our board and management. It is possible that these provisions could make it more difficult to accomplish transactions that stockholders may otherwise deem to be in their best interest.

Exhibit 31.1

CERTIFICATIONS

I, Daniel Vitt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Immunic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ Daniel Vitt
Daniel Vitt
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Glenn Whaley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Immunic, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of and for the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

By: /s/ Glenn Whaley
Glenn Whaley
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Immunic, Inc. (the "Company") for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Daniel Vitt, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

By: /s/ Daniel Vitt
Daniel Vitt
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Immunic, Inc. (the "Company") for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Glenn Whaley, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

By: /s/ Glenn Whaley
Glenn Whaley
Chief Financial Officer
(Principal Financial Officer)