

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 September 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: 001-35285

Vaxart, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

59-1212264

(IRS Employer Identification No.)

170 Harbor Way, Suite 300, South San Francisco, CA 94080

(Address of principal executive offices, including zip code)

(650) 550-3500

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, \$0.0001 par value	VXRT	The Nasdaq Capital Market

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Non-accelerated filer

Emerging growth company

Accelerated filer

Smaller reporting 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

The Registrant had 131,249,086 shares of common stock, \$0.0001 par value, outstanding as of November 7, 2022.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2022
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

VAXART, INC.

Condensed Consolidated Balance Sheets
(In thousands, except share and per share amounts)
(Unaudited)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 50,768	\$ 143,745
Short-term investments	63,999	22,742
Accounts receivable	-	71
Prepaid expenses and other current assets	5,613	2,609
Total current assets	120,380	169,167
Long-term investments	-	16,210
Property and equipment, net	12,280	6,601
Right-of-use assets, net	26,607	13,168
Intangible assets, net	9,611	10,624
Goodwill	4,508	4,508
Other long-term assets	1,923	890
Total assets	\$ 175,309	\$ 221,168
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 7,916	\$ 3,872
Current portion of operating lease liability	2,149	1,011
Current portion of liability related to sale of future royalties	1,331	836
Other accrued liabilities	10,344	5,064
Total current liabilities	21,740	10,783
Operating lease liability, net of current portion	20,019	11,997
Liability related to sale of future royalties, net of current portion	11,027	10,686
Other long-term liabilities	216	171
Total liabilities	53,002	33,637
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock: \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding as of September 30, 2022 and December 31, 2021	—	—
Common stock: \$0.0001 par value; 250,000,000 shares authorized; 128,331,408 and 125,594,393 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	13	13
Additional paid-in capital	426,003	406,943
Accumulated deficit	(303,191)	(219,351)
Accumulated other comprehensive loss	(518)	(74)
Total stockholders' equity	122,307	187,531
Total liabilities and stockholders' equity	\$ 175,309	\$ 221,168

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

VAXART, INC.

Condensed Consolidated Statements of Operations and Comprehensive Loss
(In thousands, except share and per share amounts)
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue:				
Revenue from customer service contracts	\$ —	\$ —	\$ —	\$ 13
Non-cash royalty revenue related to sale of future royalties	—	200	85	805
Total revenue	<u>—</u>	<u>200</u>	<u>85</u>	<u>818</u>
Operating expenses:				
Research and development	22,466	12,409	60,595	33,219
General and administrative	6,960	5,042	22,939	16,136
Total operating expenses	<u>29,426</u>	<u>17,451</u>	<u>83,534</u>	<u>49,355</u>
Operating loss	<u>(29,426)</u>	<u>(17,251)</u>	<u>(83,449)</u>	<u>(48,537)</u>
Other income (expense):				
Interest income, net	458	26	650	58
Non-cash interest expense related to sale of future royalties	(325)	(337)	(988)	(1,137)
Foreign exchange loss, net	—	—	(2)	(1)
Loss before income taxes	<u>(29,293)</u>	<u>(17,562)</u>	<u>(83,789)</u>	<u>(49,617)</u>
Provision for income taxes	<u>16</u>	<u>21</u>	<u>51</u>	<u>89</u>
Net loss	<u>\$ (29,309)</u>	<u>\$ (17,583)</u>	<u>\$ (83,840)</u>	<u>\$ (49,706)</u>
Net loss per share - basic and diluted	<u>\$ (0.23)</u>	<u>\$ (0.14)</u>	<u>\$ (0.66)</u>	<u>\$ (0.41)</u>
Shares used to compute net loss per share - basic and diluted	<u>126,889,718</u>	<u>123,984,141</u>	<u>126,374,424</u>	<u>120,110,780</u>
Comprehensive loss:				
Net loss	\$ (29,309)	\$ (17,583)	\$ (83,840)	\$ (49,706)
Unrealized (loss) gain on available-for-sale investments, net of tax	(109)	6	(444)	(3)
Comprehensive loss	<u>\$ (29,418)</u>	<u>\$ (17,577)</u>	<u>\$ (84,284)</u>	<u>\$ (49,709)</u>

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

VAXART, INC.

Condensed Consolidated Statements of Stockholders' Equity
For the Three and Nine Months Ended September 30, 2022
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
<u>Three Months Ended September 30, 2022</u>						
Balances as of June 30, 2022	126,446,036	\$ 13	\$ 417,372	\$ (273,882)	\$ (409)	\$ 143,094
Issuance of common stock under September 2021 ATM, net of offering costs of \$161	1,789,022	—	4,853	—	—	4,853
Issuance of common stock upon exercise of stock options	96,350	—	135	—	—	135
Stock-based compensation	—	—	3,643	—	—	3,643
Unrealized losses on available-for-sale investments	—	—	—	—	(109)	(109)
Net loss	—	—	—	(29,309)	—	(29,309)
Balances as of September 30, 2022	<u>128,331,408</u>	<u>\$ 13</u>	<u>\$ 426,003</u>	<u>\$ (303,191)</u>	<u>\$ (518)</u>	<u>\$ 122,307</u>
<u>Nine Months Ended September 30, 2022</u>						
Balances as of December 31, 2021	125,594,393	\$ 13	\$ 406,943	\$ (219,351)	\$ (74)	\$ 187,531
Issuance of common stock under September 2021 ATM, net of offering costs of \$583	2,565,022	—	8,650	—	—	8,650
Issuance of common stock upon exercise of warrants	5,000	—	2	—	—	2
Issuance of common stock upon exercise of stock options	166,993	—	214	—	—	214
Stock-based compensation	—	—	10,194	—	—	10,194
Unrealized losses on available-for-sale investments	—	—	—	—	(444)	(444)
Net loss	—	—	—	(83,840)	—	(83,840)
Balances as of September 30, 2022	<u>128,331,408</u>	<u>\$ 13</u>	<u>\$ 426,003</u>	<u>\$ (303,191)</u>	<u>\$ (518)</u>	<u>\$ 122,307</u>

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

VAXART, INC.

Condensed Consolidated Statements of Stockholders' Equity
For the Three and Nine Months Ended September 30, 2021
(In thousands, except share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
<u>Three Months Ended September 30, 2021</u>						
Balances as of June 30, 2021	122,814,467	\$ 12	\$ 380,783	\$ (181,004)	\$ (9)	\$ 199,782
Issuance of common stock under October 2020 ATM, net of offering costs of \$746	2,280,931	1	20,295	—	—	20,296
Issuance of common stock upon exercise of warrants	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	199,418	—	348	—	—	348
Stock-based compensation	—	—	2,099	—	—	2,099
Unrealized gain on available-for-sale investments	—	—	—	—	6	6
Net loss	—	—	—	(17,583)	—	(17,583)
Balances as of September 30, 2021	<u>125,294,816</u>	<u>\$ 13</u>	<u>\$ 403,525</u>	<u>\$ (198,587)</u>	<u>\$ (3)</u>	<u>\$ 204,948</u>
<u>Nine Months Ended September 30, 2021</u>						
Balances as of December 31, 2020	110,271,093	\$ 11	\$ 272,274	\$ (148,881)	\$ —	\$ 123,404
Issuance of common stock under October 2020 ATM, net of offering costs of \$5,752	13,239,839	2	122,208	—	—	122,210
Issuance of common stock upon exercise of warrants	1,012,540	—	1,849	—	—	1,849
Issuance of common stock upon exercise of stock options	771,344	—	1,240	—	—	1,240
Stock-based compensation	—	—	5,954	—	—	5,954
Unrealized losses on available-for-sale investments	—	—	—	—	(3)	(3)
Net loss	—	—	—	(49,706)	—	(49,706)
Balances as of September 30, 2021	<u>125,294,816</u>	<u>\$ 13</u>	<u>\$ 403,525</u>	<u>\$ (198,587)</u>	<u>\$ (3)</u>	<u>\$ 204,948</u>

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

VAXART, INC.

Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net loss	\$ (83,840)	\$ (49,706)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,915	3,010
Accretion of (discount) premium on investments	(13)	55
Stock-based compensation	10,194	5,954
Non-cash interest expense related to sale of future royalties	988	1,137
Non-cash revenue related to sale of future royalties	(152)	(908)
Change in operating assets and liabilities:		
Accounts receivable	71	144
Prepaid expenses and other assets	(4,037)	(3,570)
Accounts payable	2,528	1,483
Other accrued liabilities	4,719	(1,617)
Net cash used in operating activities	<u>(65,627)</u>	<u>(44,018)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,700)	(4,142)
Cash paid for right-of-use assets	(5,038)	—
Purchases of investments	(48,178)	(41,278)
Proceeds from maturities of investments	<u>22,700</u>	<u>4,500</u>
Net cash used in investing activities	<u>(36,216)</u>	<u>(40,920)</u>
Cash flows from financing activities:		
Net proceeds from issuance of common stock through ATM facilities	8,650	122,210
Proceeds from issuance of common stock upon exercise of warrants	2	1,849
Proceeds from issuance of common stock upon exercise of stock options	<u>214</u>	<u>1,240</u>
Net cash provided by financing activities	<u>8,866</u>	<u>125,299</u>
Net (decrease) increase in cash and cash equivalents	(92,977)	40,361
Cash and cash equivalents at beginning of the period	<u>143,745</u>	<u>126,870</u>
Cash and cash equivalents at end of the period	<u>\$ 50,768</u>	<u>\$ 167,231</u>
Supplemental disclosure of non-cash investing and financing activity:		
Operating lease liabilities arising from obtaining right-of-use assets	<u>\$ 9,997</u>	<u>\$ 6,939</u>
Lease-related assets and liabilities derecognized on early termination and modification of leases	<u>\$ —</u>	<u>\$ 235</u>
Acquisition of property and equipment included in accounts payable and accrued expenses	<u>\$ 1,738</u>	<u>\$ 289</u>

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

VAXART, INC.**Notes to the Condensed Consolidated Financial Statements (Unaudited)****NOTE 1. Organization and Basis of Presentation***General*

Vaxart Biosciences, Inc. was originally incorporated in California in March 2004, under the name West Coast Biologicals, Inc. The Company changed its name to Vaxart, Inc. (“Private Vaxart”) in July 2007, and reincorporated in the state of Delaware. On February 13, 2018, Private Vaxart completed a business combination with Aviragen Therapeutics, Inc. (“Aviragen”), pursuant to which Aviragen merged with Private Vaxart, with Private Vaxart surviving as a wholly owned subsidiary of Aviragen (the “Merger”). Pursuant to the terms of the Merger, Aviragen changed its name to Vaxart, Inc. (together with its subsidiaries, the “Company” or “Vaxart”) and Private Vaxart changed its name to Vaxart Biosciences, Inc.

On October 13, 2020, the Company entered into the Open Market Sale Agreement (the “October 2020 ATM”), pursuant to which it could offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to \$250 million. The Company incurred direct expenses of approximately \$0.3 million in connection with filing a prospectus supplement, dated October 13, 2020, with the U.S. Securities and Exchange Commission (the “SEC”), and paid sales commissions of up to 4.5% of gross proceeds from the sale of shares. As of December 31, 2020, the Company had sold 692,651 shares for gross proceeds of \$5.5 million which, after deducting sales commissions and expenses, resulted in net proceeds under the October 2020 ATM of \$4.9 million in 2020.

In the nine months ended September 30, 2021, the Company sold an additional 13,239,839 shares under the October 2020 ATM for gross proceeds of \$127.9 million which, after deducting sales commissions and expenses, resulted in net proceeds of \$122.2 million. A total of 13,932,490 shares were issued and sold under the October 2020 ATM for gross proceeds of \$133.4 million which, after deducting sales commissions and expenses, resulted in net proceeds of \$127.1 million.

On September 13, 2021, the October 2020 ATM was terminated, and on September 15, 2021, the Company entered into a Controlled Equity Offering Sales Agreement (the “September 2021 ATM”), pursuant to which it may offer and sell, from time to time through sales agents, shares of its common stock having an aggregate offering price of up to \$100 million. The Company filed a prospectus supplement with the SEC on September 16, 2021, and will pay sales commissions of up to 3.0% of gross proceeds from the sale of shares. As of December 31, 2021, no shares had been issued under the September 2021 ATM. In the nine months ended September 30, 2022, 2,565,022 shares were issued and sold under the September 2021 ATM for gross proceeds of \$9.2 million, which, after deducting sales commissions and expenses incurred to date, resulted in net proceeds of \$8.6 million.

The Company’s principal operations are based in South San Francisco, California, and it operates in one reportable segment, which is the discovery and development of oral recombinant protein vaccines, based on its proprietary oral vaccine platform.

NOTE 2. Summary of Significant Accounting Policies

Basis of Presentation – The Company has prepared the accompanying condensed consolidated financial statements pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted pursuant to these rules and regulations. These condensed consolidated financial statements should be read in conjunction with the Company’s audited financial statements and footnotes related thereto for the year ended December 31, 2021, included in the Company’s Annual Report on Form 10-K filed with the SEC on February 24, 2022 (the “Annual Report”). Unless noted below, there have been no material changes to the Company’s significant accounting policies described in Note 2 to the consolidated financial statements included in the Annual Report. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company’s financial position and the results of its operations and cash flows. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the full year or any future periods.

Basis of Consolidation – The condensed consolidated financial statements include the financial statements of Vaxart, Inc. and its subsidiaries. All significant transactions and balances between Vaxart, Inc. and its subsidiaries have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results and outcomes could differ from these estimates and assumptions.

Concentration of Credit Risk – Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash, cash equivalents and available-for-sale investments. The Company places its cash, cash equivalents and available-for-sale investments at financial institutions that management believes are of high credit quality. The Company is exposed to credit risk in the event of default by the financial institutions holding the cash and cash equivalents to the extent such amounts are in excess of the federally insured limits. The Company has not experienced any losses on its deposits since inception.

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company's investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating.

Recent Accounting Pronouncements

The Company has reviewed all newly-issued accounting pronouncements that are not yet effective and concluded that they are either not applicable to its operations or their adoption is not expected to have a material impact on its financial position or results of operations.

NOTE 3. Fair Value of Financial Instruments

Fair value accounting is applied for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Financial instruments include cash and cash equivalents, marketable securities, accounts receivable, accounts payable and accrued liabilities that approximate fair value due to their relatively short maturities.

Assets and liabilities recorded at fair value on a recurring basis in the balance sheets are categorized based upon the level of judgment associated with inputs used to measure their fair values. The accounting guidance for fair value provides a framework for measuring fair value and requires certain disclosures about how fair value is determined. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance also establishes a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether such inputs are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity.

The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 – Inputs are observable, unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities; and

Level 3 – Unobservable inputs that are significant to the measurement of the fair value of the assets or liabilities that are supported by little or no market data.

The following table sets forth the fair value of the Company's financial assets that are measured on a recurring basis as of September 30, 2022 and December 31, 2021 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2022				
Financial assets:				
Money market funds	\$ 30,873	\$ —	\$ —	\$ 30,873
U.S. Treasury securities	—	49,389	—	49,389
Commercial paper	—	8,959	—	8,959
Corporate debt securities	—	5,651	—	5,651
Total	<u>\$ 30,873</u>	<u>\$ 63,999</u>	<u>\$ —</u>	<u>\$ 94,872</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2021				
Financial assets:				
Money market funds	\$ 70,978	\$ —	\$ —	\$ 70,978
U.S. Treasury securities	—	24,997	—	24,997
Commercial paper	—	7,491	—	7,491
Corporate debt securities	—	6,464	—	6,464
Total	<u>\$ 70,978</u>	<u>\$ 38,952</u>	<u>\$ —</u>	<u>\$ 109,930</u>

The Company held no recurring financial liabilities as of September 30, 2022 or December 31, 2021, or in the nine months ended September 30, 2022 or 2021.

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
NOTE 4. Balance Sheet Components
(a) Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized		Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
		Gains	Losses				
September 30, 2022							
Cash at banks	\$ 19,895	\$ —	\$ —	\$ 19,895	\$ 19,895	\$ —	\$ —
Money market funds	30,873	—	—	30,873	30,873	—	—
U.S. Treasury securities	49,841	—	(452)	49,389	—	49,389	—
Commercial paper	8,959	—	—	8,959	—	8,959	—
Corporate debt securities	5,716	—	(65)	5,651	—	5,651	—
Total	<u>\$ 115,284</u>	<u>\$ —</u>	<u>\$ (517)</u>	<u>\$ 114,767</u>	<u>\$ 50,768</u>	<u>\$ 63,999</u>	<u>\$ —</u>

	Amortized Cost	Gross Unrealized		Estimated Fair Value	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
		Gains	Losses				
December 31, 2021							
Cash at banks	\$ 72,767	\$ —	\$ —	\$ 72,767	\$ 72,767	\$ —	\$ —
Money market funds	70,978	—	—	70,978	70,978	—	—
U.S. Treasury securities	25,055	—	(58)	24,997	—	12,022	12,975
Commercial paper	7,491	—	—	7,491	—	7,491	—
Corporate debt securities	6,480	—	(16)	6,464	—	3,229	3,235
Total	<u>\$ 182,771</u>	<u>\$ —</u>	<u>\$ (74)</u>	<u>\$ 182,697</u>	<u>\$ 143,745</u>	<u>\$ 22,742</u>	<u>\$ 16,210</u>

(b) Accounts Receivable

Accounts receivable comprises royalties receivable of nil and \$71,000 as of September 30, 2022 and December 31, 2021, respectively. The Company has provided no allowance for uncollectible accounts as of September 30, 2022 and December 31, 2021.

(c) Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	September 30, 2022	December 31, 2021
Laboratory equipment	\$ 7,465	\$ 5,057
Office and computer equipment	767	481
Leasehold improvements	1,063	1,063
Construction in progress	5,596	1,305
Total property and equipment	14,891	7,906
Less: accumulated depreciation	(2,611)	(1,305)
Property and equipment, net	<u>\$ 12,280</u>	<u>\$ 6,601</u>

Depreciation expense was \$489,000 and \$211,000 for the three months ended September 30, 2022 and 2021, respectively, and \$1.3 million and \$406,000 for the nine months ended September 30, 2022 and 2021, respectively. There were no impairments of the Company's property and equipment recorded in the nine months ended September 30, 2022 or 2021.

(d) Right-of-Use Assets, Net

Right-of-use assets, net comprises facilities of \$26.6 million and \$13.2 million as of September 30, 2022 and December 31, 2021, respectively.

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
(e) Intangible Assets, Net

Intangible assets comprise developed technology and intellectual property. Intangible assets are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over useful lives ranging from 1.3 to 11.75 years for developed technology and 20 years for intellectual property. As of September 30, 2022, developed technology and intellectual property had remaining lives of 7.1 and 5.25 years, respectively. Intangible assets consist of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Developed technology	\$ 10,600	\$ 10,600
Intellectual property	80	80
Total cost	<u>10,680</u>	<u>10,680</u>
Less: accumulated amortization	(1,069)	(56)
Intangible assets, net	<u>\$ 9,611</u>	<u>\$ 10,624</u>

Total amortization expense for the three months ended September 30, 2022 and 2021, was \$338,000 and \$433,000, respectively, and \$1.0 million and \$1.3 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, the estimated future amortization expense by year is as follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2022 (three months remaining)	\$ 338
2023	1,350
2024	1,350
2025	1,350
2026	1,350
Thereafter	3,873
Total	<u>\$ 9,611</u>

(f) Goodwill

Goodwill, which represents the excess of the purchase price over the fair value of assets acquired, comprises \$4.5 million as of September 30, 2022 and December 31, 2021. As of September 30, 2022, there have been no indicators of impairment.

(g) Other Accrued Liabilities

Other accrued liabilities consist of the following (in thousands):

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Accrued compensation	\$ 3,809	\$ 2,786
Accrued clinical and manufacturing expenses	1,203	986
Accrued professional and consulting services	715	556
Accrued litigation settlement	2,000	—
Other liabilities, current portion	2,617	736
Total	<u>\$ 10,344</u>	<u>\$ 5,064</u>

NOTE 5. Revenue
Royalty Agreement

The Company generates royalty revenue from the sale of Inavir in Japan, pursuant to a collaboration and license agreement that Aviragen entered into with Daiichi Sankyo Company, Limited (“Daiichi Sankyo”) in 2009. In September 2010, laninamivir octanoate was approved for sale by the Japanese Ministry of Health and Welfare for the treatment of influenza in adults and children, which Daiichi Sankyo markets as Inavir. Under the agreement, the Company currently receives a 4% royalty on net sales of Inavir in Japan. The last patent related to Inavir is set to expire in December 2029, at which time royalty revenue will cease. No royalty revenue was recognized in the nine months ended September 30, 2022 and 2021. The Company recognized non-cash royalty revenue related to the sale of future royalties (see Note 6) of nil and \$200,000 in the three months ended September 30, 2022 and 2021, respectively, and \$85,000 and \$805,000 in the nine months ended September 30, 2022 and 2021, respectively. Both royalty revenue and the non-cash royalty revenue related to sale of future royalties are subject to a 5% withholding tax in Japan, for which nil and \$10,000 was included in income tax expense in the three months ended September 30, 2022 and 2021, respectively, and \$4,000 and \$40,000 in the nine months ended September 30, 2022 and 2021.

The Company’s royalty revenue is seasonal, in line with the flu season, so the majority of the Company’s royalty revenue and non-cash royalty revenue related to the sale of future royalties are earned in the first and fourth fiscal quarters.

VAXART, INC.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 6. Liabilities Related to Sale of Future Royalties

In April 2016, Aviragen entered into a Royalty Interest Acquisition Agreement (the “RIAA”) with HealthCare Royalty Partners III, L.P. (“HCRP”). Under the RIAA, HCRP made a \$20.0 million cash payment to Aviragen in consideration for acquiring certain royalty rights (“Royalty Rights”) related to the approved product Inavir in the Japanese market. The Royalty Rights were obtained pursuant to the collaboration and license agreements (the “License Agreement”) and a commercialization agreement that the Company entered into with Daiichi Sankyo. Per the terms of the RIAA, HCRP is entitled to the first \$3.0 million plus 15% of the next \$1.0 million in royalties earned in each year commencing on April 1, with any excess revenue being retained by the Company.

Under the relevant accounting guidance, due to a limit on the amount of royalties that HCRP can earn under the RIAA, this transaction is accounted for as a liability that is being amortized using the interest method over the life of the arrangement. The Company has no obligation to pay any amounts to HCRP other than to pass through to HCRP its share of royalties as they are received from Daiichi Sankyo. In order to record the amortization of the liability, the Company is required to estimate the total amount of future royalty payments to be received under the License Agreement and the payments that will be passed through to HCRP over the life of this agreement. Consequently, the Company imputes interest on the unamortized portion of the liability and records non-cash interest expense using an estimated effective interest rate. The royalties earned in each period that will be passed through to HCRP are recorded as non-cash royalty revenue related to sale of future royalties, with any excess not subject to pass-through being recorded as royalty revenue. When the pass-through royalties are paid to HCRP in the following quarter, the imputed liability related to sale of future royalties is commensurately reduced. The Company periodically assesses the expected royalty payments, and to the extent such payments are greater or less than the initial estimate, the Company adjusts the amortization of the liability and interest rate. As a result of this accounting, even though the Company does not retain HCRP’s share of the royalties, it will continue to record non-cash revenue related to those royalties until the amount of the associated liability, including the related interest, is fully amortized.

The following table shows the activity within the liability account during the nine months ended September 30, 2022 (in thousands):

Total liability related to sale of future royalties, start of period	\$	11,522
Non-cash royalty revenue paid to HCRP		(152)
Non-cash interest expense recognized		988
Total liability related to sale of future royalties, end of period		12,358
Current portion		(1,331)
Long-term portion	\$	<u>11,027</u>

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
NOTE 7. Leases

The Company has obtained the right of use for office and manufacturing facilities under seven operating lease agreements with initial terms exceeding one year and has two operating lease agreements for facilities and one for equipment with initial terms of one year or less.

The Company obtained the right of use of real estate located in South San Francisco, California, in November 2020 under a lease that was scheduled to terminate on September 30, 2025, which has been extended until March 31, 2029, with no additional extension option. The Company also obtained the right of use of real estate located in South San Francisco, California, in June 2015 that was scheduled to terminate on April 30, 2020, with a five-year extension option that the Company exercised in July 2019, extending the lease until April 30, 2025, which has been further extended until March 31, 2029, with an option to extend for an additional eight years. In addition, in September 2021 the Company executed a lease for a facility in South San Francisco, California, with an initial term expiring on March 31, 2029, with an option to extend for an additional eight years. This lease includes a component for which tenant improvements that were substantially completed in the three months ended September 30, 2022, when the lease for this component was deemed to have commenced for accounting purposes. It also includes a component for which tenant improvements, estimated to cost approximately \$2.8 million, are estimated to be completed in the first quarter of 2023. These will be recorded within right-of-use assets in the condensed consolidated balance sheet when they are substantially completed and this component of the lease is deemed to have commenced for accounting purposes. In addition, the Company has the right of use of a facility located in South San Francisco, California, under a lease that, following extensions, now terminates on December 31, 2022, with no extension option. Further, the Company has the right of use of a facility located in South San Francisco, California, under a lease that terminates on March 30, 2029, with a five-year renewal option. The Company also has the right of use of two facilities in Burlingame, California, under leases that terminate on May 31, 2025, both of which have two 30-month extension options. The Company has also identified two short-term embedded leases for the rental of facilities in South San Francisco, California and Lodi, Wisconsin and one short-term lease for equipment.

As of September 30, 2022, the weighted average discount rate for operating leases with initial terms of more than one year was 9.80% and the weighted average remaining term of these leases was 6.34 years. Discount rates were determined using the Company's marginal rate of borrowing at the time each lease commenced or was extended.

The following table summarizes the Company's undiscounted cash payment obligations for its operating lease liabilities with initial terms of more than twelve months as of September 30, 2022 (in thousands):

<u>Year Ending December 31,</u>	
2022 (three months remaining)	\$ 994
2023	4,072
2024	4,213
2025	4,356
2026	4,964
Thereafter	11,787
Undiscounted total	30,386
Less: imputed interest	(8,218)
Present value of future minimum payments	22,168
Current portion of operating lease liability	(2,149)
Operating lease liability, net of current portion	<u>\$ 20,019</u>

The Company presently has no finance leases and no future obligations under operating leases with initial terms of one year or less.

Certain operating lease agreements for facilities include non-lease costs, such as common area maintenance, which are recorded as variable lease costs. Operating lease expenses for the three and nine months ended September 30, 2022 and 2021, including variable lease costs for one lease that has not yet commenced for accounting purposes (see below), are summarized as follows (in thousands):

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<u>Lease cost</u>				
Operating lease cost	\$ 1,202	\$ 651	\$ 2,652	\$ 1,824
Short-term lease cost	117	101	335	232
Variable lease cost	397	313	926	937
Sublease income	—	—	—	(36)
Total lease cost	<u>\$ 1,716</u>	<u>\$ 1,065</u>	<u>\$ 3,913</u>	<u>\$ 2,957</u>

Net cash outflows associated with operating leases, which include expenditures on leasehold improvements, totaled \$1.4 million and \$970,000 in the three months ended September 30, 2022 and 2021, respectively, and \$7.8 million and \$2.8 million in the nine months ended September 30, 2022 and 2021, respectively.

VAXART, INC.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

NOTE 8. Commitments and Contingencies**(a) Purchase Commitments**

As of September 30, 2022, the Company had approximately \$13.7 million of non-cancelable purchase commitments, principally for contract manufacturing and clinical services and leasehold improvements which are expected to be paid within the next year. In addition, the Company has operating lease commitments as detailed in [Note 7](#) and a further commitment for an operating lease with unpaid rental payments totaling \$0.4 million payable by March 31, 2029, which has been executed but has not yet commenced, for which we expect to spend a net total of approximately \$2.8 million on leasehold improvements, of which \$0.6 million has already been expended and \$2.2 million is included within non-cancelable purchase commitments, which will be recorded as right-of-use assets when the lease commences.

(b) Indemnifications

In the ordinary course of business, the Company enters into agreements that may include indemnification provisions. Pursuant to such agreements, the Company may indemnify, hold harmless and defend indemnified parties for losses suffered or incurred by the indemnified party. Some of the provisions will limit losses to those arising from third-party actions. In some cases, the indemnification will continue after the termination of the agreement. The maximum potential amount of future payments the Company could be required to make under these provisions is not determinable. The Company has also entered into indemnification agreements with certain officers and directors which provide, among other things, that the Company will indemnify and advance expenses incurred in connection with certain actions, suits or proceedings to such officer or director, under the circumstances and to the extent provided for therein, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the fullest extent permitted under Delaware law and the Company's Bylaws. The Company currently has directors' and officers' insurance.

(c) Litigation

From time to time the Company may be involved in legal proceedings arising in connection with its business. Based on information currently available, the Company believes that the amount, or range, of reasonably possible losses in connection with any pending actions against it in excess of established reserves, in the aggregate, is not material to its consolidated financial condition or cash flows. However, any current or future dispute resolution or legal proceeding, regardless of the merits of any such proceeding, could result in substantial costs and a diversion of management's attention and resources that are needed to run the Company successfully, and could have a material adverse impact on its business, financial condition and results of operations.

On August 4, 2020, a purported shareholder derivative complaint was filed in the Superior Court of California, San Mateo County, entitled *Godfrey v. Latour, et al.* An amended complaint was filed on September 4, 2020 and the case was re-named *Ennis v. Latour, et al.* A second amended complaint was filed on November 25, 2020. A third amended complaint was filed on June 11, 2021. The third amended complaint names certain current and former Vaxart directors as defendants, asserting claims against them for breach of fiduciary duty, unjust enrichment, and waste and seeking, among other things, an award of unspecified damages, certain equitable relief, and attorneys' fees and costs. The complaint also asserts claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty against Armistice Capital, LLC ("Armistice"). The third amended complaint challenges certain stock options granted to certain of the Company's officers and directors in June 2020; certain alleged statements and omissions made in the Company's April 24, 2020, proxy statement; and certain amendments to two warrants held by Armistice, as disclosed on June 8, 2020. The third amended complaint purports to bring the lawsuit derivatively on behalf of and for the benefit of the Company and names the Company as a "nominal defendant" against which no damages are sought. On August 31, 2021, the Company and certain of its directors (the "Vaxart Defendants"), as well as all other defendants, filed demurrers to the third amended complaint. The demurrer filed by the Vaxart Defendants has not yet been decided. On July 14, 2022, the court held a hearing on the defendants' pending demurrers and decided to defer ruling in favor of additional briefing on the effects of the dismissal of the *In re Vaxart, Inc. Stockholder Litigation* in the Delaware Court of Chancery on the viability of the third amended complaint.

VAXART, INC.

Notes to the Condensed Consolidated Financial Statements (Unaudited)

In August and September 2020, two substantially similar securities class actions were filed in the U.S. District Court for the Northern District of California. The first action, titled *Himmelberg v. Vaxart, Inc. et al.*, was filed on August 24, 2020. The second action, titled *Hovhannisyan v. Vaxart, Inc. et al.*, was filed on September 1, 2020 (together, the “Putative Class Action”). By Order dated September 17, 2020, the two actions were deemed related. On December 9, 2020, the court appointed lead plaintiffs and lead plaintiffs’ counsel. On January 29, 2021, lead plaintiffs filed their consolidated amended complaint. On July 8, 2021, all defendants moved to dismiss the consolidated amended complaint. On May 14, 2021, the court granted lead plaintiffs’ request to amend the consolidated amended complaint and denied defendants’ motions to dismiss as moot. On June 10, 2021, lead plaintiffs filed an amended consolidated complaint. On August 9, 2021, lead plaintiffs filed a corrected amended consolidated complaint. The amended consolidated complaint names certain of Vaxart’s current and former executive officers and directors, as well as Armistice, as defendants. It claims three violations of federal civil securities laws; violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5, as against the Company and all individual defendants; violation of Section 20(a) of the Exchange Act, as against Armistice and all individual defendants; and violation of Section 20A of the Exchange Act against Armistice. The amended consolidated complaint alleges that the defendants violated securities laws by misstating and/or omitting information regarding the Company’s development of a norovirus vaccine, the vaccine manufacturing capabilities of a business counterparty, and the Company’s involvement with Operation Warp Speed (“OWS”); and by engaging in a scheme to inflate Vaxart’s stock price. The first amended consolidated complaint seeks to be certified as a class action for similarly situated shareholders and seeks, among other things, an unspecified amount of damages and attorneys’ fees and costs. As disclosed in a Form 8-K filed by the Company on July 28, 2022, a Stipulation of Settlement was filed with the court, announcing the terms of a partial settlement of the Putative Class action. On October 3, 2022, the parties’ motion for preliminary approval of the partial class settlement was granted by the district court. Under the order preliminarily approving the partial class settlement, Vaxart shall cause \$2,000,000 to be paid into an escrow account, with its insurers placing the remainder of the settlement funds into a designated escrow account pending final approval. A fairness hearing was scheduled for January 12, 2023, to determine whether final class settlement approval will be granted. If the settlement is not approved, the parties will revert back to their prior litigation positions and the defendants would vigorously contest the claims.

On October 23, 2020, a complaint was filed in the U.S. District Court for the Southern District of New York, entitled *Roth v. Armistice Capital LLC, et al.* The complaint names Armistice and certain Armistice-related parties as defendants, asserting a violation of Exchange Act Section 16(b) and seeking the disgorgement of short-swing profits. The complaint purports to bring the lawsuit on behalf of and for the benefit of the Company and names the Company as a “nominal defendant” for whose benefit damages are sought.

On January 8, 2021, a purported shareholder, Phillip Chan, commenced a *pro se* lawsuit in the U.S. District Court for the Northern District of California titled *Chan v. Vaxart, Inc. et al.* (the “Opt-Out Action”). Because this complaint is nearly identical to an earlier version of a complaint filed in the Putative Class Action, the Opt-Out Action has been stayed pending resolution of the Putative Class Action.

The Company has accrued \$2.0 million with respect to the Putative Class Action pursuant to the terms of the settlement agreement reached in that case. No other amounts have been accrued because the Company’s management does not presently believe that any loss is probable and it is not possible to reasonably estimate the loss, or range of losses, if any, that may result from any of the ongoing litigation. The Company’s legal costs incurred in its defense against these claims are expensed as incurred.

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
NOTE 9. Stockholders' Equity
(a) Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock, \$0.0001 par value per share. The Company's board of directors may, without further action by the stockholders, fix the rights, preferences, privileges and restrictions of up to an aggregate of 5,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of the Company's common stock. The issuance of preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deterring or preventing a change of control or other corporate action. No shares of preferred stock are currently outstanding.

(b) Common Stock

As of September 30, 2022, the Company was authorized to issue 250,000,000 shares of common stock, \$0.0001 par value per share, which includes an increase of 100,000,000 on August 4, 2022, when the Company's stockholders approved an amendment to the Company's certificate of incorporation to increase the number of authorized shares of common stock from 150,000,000. Except as otherwise required by law or as otherwise provided in any certificate of designation for any series of preferred stock, the holders of common stock possess all voting power for the election of the Company's directors and all other matters requiring stockholder action. Holders of common stock are entitled to one vote per share on matters to be voted on by stockholders. Holders of common stock are entitled to receive such dividends, if any, as may be declared from time to time by the Company's board of directors in its discretion out of funds legally available therefor. In no event will any stock dividends or stock splits or combinations of stock be declared or made on common stock unless the shares of common stock at the time outstanding are treated equally and identically. As of September 30, 2022, no dividends had been declared by the board of directors.

In the event of the Company's voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up, the holders of the common stock will be entitled to receive an equal amount per share of all of the Company's assets of whatever kind available for distribution to stockholders, after the rights of the holders of the preferred stock have been satisfied. There are no sinking fund provisions applicable to the common stock.

The Company had shares of common stock reserved for issuance as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Options issued and outstanding	14,965,813	10,216,106
RSUs issued and outstanding	723,716	—
Available for future grants of equity awards	11,932,077	5,582,742
Common stock warrants	227,434	232,434
2022 Employee Stock Purchase Plan	1,800,000	—
Total	<u>29,649,040</u>	<u>16,031,282</u>

(c) Warrants

The following warrants were outstanding as of September 30, 2022, all of which contain standard anti-dilution protections in the event of subsequent rights offerings, stock splits, stock dividends or other extraordinary dividends, or other similar changes in the Company's common stock or capital structure, and none of which have any participating rights for any losses:

Securities into which warrants are convertible	Warrants Outstanding	Exercise Price	Expiration Date
Common Stock	44,148	\$ 1.10	April 2024
Common Stock	26,515	\$ 1.375	April 2024
Common Stock	29,150	\$ 2.50	March 2025
Common Stock	100,532	\$ 3.125	February 2025
Common Stock	16,175	\$ 3.125	March 2024
Common Stock	10,914	\$ 22.99	December 2026
Total	<u>227,434</u>		

In the event of a Fundamental Transaction (a transfer of ownership of the Company as defined in the warrant) within the Company's control, the holders of the unexercised common stock warrants exercisable for \$1.10 and \$2.50 and those exercisable for \$3.125 expiring in February 2025 shall be entitled to receive cash consideration equal to a Black-Scholes valuation, as defined in the warrant. If such Fundamental Transaction is not within the Company's control, the warrant holders would only be entitled to receive the same form of consideration (and in the same proportion) as the holders of the Company's common stock, hence these warrants are classified as a component of permanent equity.

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
NOTE 10. Equity Incentive Plans

On April 23, 2019, the Company's stockholders approved the adoption of the 2019 Equity Incentive Plan (the "2019 Plan"), under which the Company is authorized to issue incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards and restricted stock units, other stock awards and performance awards that may be settled in cash, stock, or other property. The 2019 Plan is designed to secure and retain the services of employees, directors and consultants, provide incentives for the Company's employees, directors and consultants to exert maximum efforts for the success of the Company and its affiliates, and provide a means by which employees, directors and consultants may be given an opportunity to benefit from increases in the value of the Company's common stock. Following adoption of the 2019 Plan, all previous plans were frozen, and on forfeiture, cancellation and expiration, awards under those plans are not assumed by the 2019 Plan.

The aggregate number of shares of common stock authorized for issuance under the 2019 Plan was initially 1,600,000 shares, which was increased through an amendment to the 2019 Plan adopted by the Company's stockholders (a "Plan Amendment") on June 8, 2020, to 8,000,000, by a Plan Amendment on June 16, 2021, to 16,900,000, and by a Plan Amendment on August 4, 2022, to 28,900,000. Further amendments to the 2019 Plan to increase the share reserve would require stockholder approval. Awards that are forfeited or canceled generally become available for issuance again under the 2019 Plan. Awards have a maximum term of ten years from the grant date and may vest over varying periods, as specified by the Company's board of directors for each grant.

In the nine months ended September 30, 2022, the Company granted 688,061 restricted stock unit ("RSU") awards to employees which vest annually over four years, subject to each employee's continued service relationship with the Company, and 29,500 RSUs to directors which vest annually over three years and 35,717 RSUs to directors which vest on the earlier of the day before the next annual meeting of stockholders and the anniversary of the grant date, subject to each director's continued service on the Board. The related compensation cost, which is based on the grant date fair value of the Company's common stock multiplied by the number of RSUs granted, is recognized, net of estimated forfeitures, as an expense ratably over the service period.

A summary of stock option and RSU transactions in the nine months ended September 30, 2022, is as follows:

	Shares Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price	Number of RSUs Outstanding	Weighted Average Grant Date Fair Value
Balance at January 1, 2022	5,582,742	10,216,106	\$ 4.96	—	\$ —
2019 Plan Amendment	12,000,000	—	\$ —	—	\$ —
Granted	(6,530,935)	5,777,657	\$ 4.38	753,278	\$ 3.98
Exercised	—	(166,993)	\$ 1.28	—	\$ —
Forfeited	818,749	(789,252)	\$ 6.40	(29,562)	\$ 3.79
Canceled	61,521	(71,705)	\$ 8.82	—	\$ —
Balance at September 30, 2022	<u>11,932,077</u>	<u>14,965,813</u>	\$ 4.68	<u>723,716</u>	\$ 3.99

As of September 30, 2022, there were 14,965,813 options outstanding with a weighted average exercise price of \$4.68, a weighted average remaining term of 8.45 years and an aggregate intrinsic value of \$1.4 million. Of these options, 5,415,197 were vested, with a weighted average exercise price of \$3.75, a weighted average remaining term of 7.21 years and an aggregate intrinsic value of \$1.2 million. The Company received \$214,000 for the 166,993 options exercised during the nine months ended September 30, 2022, which had an intrinsic value of \$474,000, and received \$1.2 million for the 771,344 options exercised during the nine months ended September 30, 2021, which had an intrinsic value of \$4.6 million.

The weighted average grant date fair value of options awarded in the nine months ended September 30, 2022 and 2021, was \$3.88 and \$6.67, respectively. Their fair values were estimated using the following assumptions:

	Nine Months Ended September 30,	
	2022	2021
Risk-free interest rate	1.62% - 3.20%	0.91% - 1.19%
Expected term (in years)	5.42 - 6.08	5.44 - 6.08
Expected volatility	125% - 131%	122% - 131%
Dividend yield	—%	—%

VAXART, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)

The Company measures the fair value of all stock-based awards on the grant date and records the fair value of these awards, net of estimated forfeitures, to compensation expense over the service period. Total stock-based compensation recognized for options and RSUs was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development	\$ 2,567	\$ 1,206	\$ 6,977	\$ 2,429
General and administrative	1,076	893	3,217	3,525
Total stock-based compensation	<u>\$ 3,643</u>	<u>\$ 2,099</u>	<u>\$ 10,194</u>	<u>\$ 5,954</u>

As of September 30, 2022, the unrecognized stock-based compensation cost related to outstanding unvested stock options and RSUs expected to vest was \$38.4 million, which the Company expects to recognize over an estimated weighted average period of 3.05 years.

On August 4, 2022, the 2022 Employee Stock Purchase Plan (the “2022 ESPP”) was approved by the Company’s stockholders. 1,800,000 shares of common stock are reserved for issuance under the 2022 ESPP.

NOTE 11. Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (29,309)	\$ (17,583)	\$ (83,840)	\$ (49,706)
Shares used to compute net loss per share – basic and diluted	<u>126,889,718</u>	<u>123,984,141</u>	<u>126,374,424</u>	<u>120,110,780</u>
Net loss per share – basic and diluted	<u>\$ (0.23)</u>	<u>\$ (0.14)</u>	<u>\$ (0.66)</u>	<u>\$ (0.41)</u>

No adjustment has been made to the net loss in the three and nine months ended September 30, 2022 or 2021, as the effect would be anti-dilutive due to the net loss.

The following potentially dilutive securities were excluded from the computation of diluted weighted average shares outstanding because they would have been antidilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Options to purchase common stock	14,735,710	8,464,753	13,170,959	7,683,510
Restricted stock units	660,660	—	353,738	—
Warrants to purchase common stock	<u>227,434</u>	<u>232,434</u>	<u>229,156</u>	<u>413,121</u>
Total potentially dilutive securities excluded from denominator of the diluted earnings per share computation	<u>15,623,804</u>	<u>8,697,187</u>	<u>13,753,853</u>	<u>8,096,631</u>

NOTE 12. Subsequent Events

Since September 30, 2022, the Company has issued 3,194,043 shares of common stock under the September 2021 ATM (see Note 1) for net proceeds totaling \$5.5 million.

Changes in the status of litigation since September 30, 2022, are included in “Note 8. Commitments and Contingencies—(c) [Litigation](#)”.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 24, 2022. This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are subject to the "safe harbor" created by those sections. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "goal," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "potential" and similar expressions intended to identify forward-looking statements and reflect our beliefs and opinions on the relevant subject. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and in this Quarterly Report on Form 10-Q. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. These statements are based upon information available to us as of the filing date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain, and we caution investors against unduly relying upon these statements. In all events, we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, change in circumstances, future events or otherwise, and you are advised to consult any additional disclosures that we may make directly to you or through reports that we, in the future, may file with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Company Overview and Background

We are a clinical-stage biotechnology company primarily focused on the development of oral recombinant vaccines based on our Vector-Adjuvant-Antigen Standardized Technology ("VAAST") proprietary oral vaccine platform. Our oral vaccines are designed to generate broad and durable immune responses that may protect against a wide range of infectious diseases and may be useful for the treatment of chronic viral infections and cancer. Our investigational vaccines are administered using a room temperature-stable tablet, rather than by injection.

We are developing prophylactic vaccine candidates that target a range of infectious diseases, including SARS-CoV-2 (the virus that causes coronavirus disease 2019 ("COVID-19")), norovirus (a widespread cause of acute gastro-intestinal enteritis) and seasonal influenza. We have completed a Phase 1 clinical trial for our first SARS CoV-2 vaccine candidate and reported that the study met its primary and secondary endpoints. A Phase 2 study with our second SARS CoV-2 vaccine candidate commenced in late 2021 has been completed. Vaxart has also initiated preclinical work on COVID-19 vaccine candidates that directly target the Omicron BA.4 and BA.5 subvariants. Several Phase 1 human studies with our norovirus vaccine candidate have been successfully completed. A Phase 2 challenge study evaluating safety and clinical efficacy of our GI.1 norovirus vaccine candidate is currently ongoing. Data indicating that our monovalent H1 influenza vaccine protected participants against H1 influenza infection in a Phase 2 challenge study was published in 2020 (Lancet ID). In addition, we are in early development of a prophylactic vaccine targeting respiratory syncytial virus ("RSV") (a common cause of respiratory tract infection) and of our first therapeutic vaccine targeting cervical cancer and dysplasia caused by human papillomavirus ("HPV").

Vaxart Biosciences, Inc. was originally incorporated in California in March 2004, under the name West Coast Biologicals, Inc. and changed its name to Vaxart, Inc. ("Private Vaxart"), in July 2007, and reincorporated in the state of Delaware. On February 13, 2018, Private Vaxart completed a reverse merger (the "Merger"), with Aviragen Therapeutics, Inc. ("Aviragen"), pursuant to which Private Vaxart survived as a wholly owned subsidiary of Aviragen. Under the terms of the Merger, Aviragen changed its name to Vaxart, Inc. and Private Vaxart changed its name to Vaxart Biosciences, Inc.

Business Update Regarding COVID-19

The COVID-19 outbreak has presented a substantial public health and economic challenge around the world and is affecting employers, employees, patients, communities and business operations, as well as the U.S. economy and financial markets. The full extent to which the COVID-19 outbreak will directly or indirectly impact our business, results of operations and financial condition will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets.

To date, we have been able to continue our operations and do not anticipate any material interruptions in the foreseeable future. However, we are continuing to assess the potential impact of the COVID-19 pandemic and the development of other competing COVID-19 vaccines on our business and operations, including our expenses, supply chain and clinical trials. Our partners are currently operating their facilities at or near normal levels. While we currently do not anticipate any interruptions in our operations, it is possible that the COVID-19 pandemic and response efforts may have an impact in the future on our operations and/or the operations of our third-party suppliers and partners. Any recovery from negative impacts to our business and related economic impact due to the COVID-19 outbreak may also be slowed or reversed by a number of factors, including the emergence of new coronavirus strains.

Our Product Pipeline

The following table outlines the status of our oral vaccine development programs:



We are developing the following tablet vaccine candidates, which are based on our proprietary platform:

- Coronavirus Vaccine.** COVID-19, a severe respiratory tract infection caused by the virus SARS-CoV-2, is a major cause of hospitalization and death in the U.S. and worldwide. According to the U.S. Centers for Disease Control and Prevention (the “CDC”), an outbreak of COVID-19 began in Wuhan, China, in late 2019 and rapidly spread worldwide. By October 2, 2022, more than 623 million COVID-19 cases had been identified globally, including in the United States, where the CDC had reported over 96 million infections and one million deaths. While most COVID-19 restrictions, such as stay-at-home orders, have been lifted, COVID-19 continues to spread and remains a public health threat, not least due to the continuing emergence of new variants. The COVID-19 risk remains even greater in developing regions where vaccination rates still remain low.

We are developing an oral tablet vaccine to protect against SARS-CoV-2 infection, the virus that causes COVID-19. We generated multiple vaccine candidates based on the published genome of SARS-CoV-2 and evaluated them in preclinical models for their ability to generate both mucosal and systemic immune responses. Of particular interest will be the mucosal immune responses, as coronavirus is primarily an infection of the respiratory tract. We believe the logistical advantages of an oral vaccine that is administered using a convenient room temperature-stable tablet could be of critical benefit when rolling out a major public health vaccination campaign. Given the recent emergence of coronavirus strains with mutated S proteins that are considered more contagious than the original strain, serum antibodies from injected vaccines may not adequately protect against these SARS-CoV-2 variants over time, whereas a vaccine that is able to create cross-reactive mucosal antibodies and T cells against conserved epitopes may have significant advantages.

On September 14, 2020, we announced that the U.S. Food and Drug Administration (the “FDA”) had cleared our Investigational New Drug (“IND”) application to allow initiation of human clinical testing of our first oral COVID-19 (S and N proteins) vaccine candidate VXA-CoV2-1. On October 13, 2020, we announced that Phase 1 clinical testing had commenced and on February 3, 2021, we announced the preliminary results of the trial. The study achieved both its primary and secondary endpoints of safety and immunogenicity, respectively. Initial results showing cross-reactive mucosal antibody responses were published in *Science Translational Medicine* along with animal data described below. Additional detailed study results and mucosal durability data were reported in *medRxiv* in July 2022.

We announced in February 2021 that we would evaluate additional vaccine candidates that contain just the Spike protein, and different variant-specific vaccines. After preclinical evaluations (including in non-human primate studies) showed that an improved antibody response could be achieved with a new vaccine candidate that expressed just the Spike protein, we decided to move this candidate forward for clinical evaluation. This new vaccine candidate, VXA-CoV2-1.1-S, was also able to elicit antibody responses against human coronavirus strain variants such as Beta (first identified in South Africa) and Delta (first identified in India) in animals (published in *bioRxiv* in February 2022). Further, this new vaccine candidate was tested in a vaccine breakthrough/transmission model led by Duke University and found to inhibit aerosol transmission to vaccine-naïve animals better than an injected S-protein-based vaccine candidate. These results were published in *bioRxiv* in October 2021 and in the peer-reviewed journal *Science Translational Medicine* in May 2022. A press release issued in June 2022 described a hamster challenge study comparing an S specific vaccine expressing the original parental strain to a variant-specific S vaccine for protection against Omicron. Results showed that both constructs could provide protection, but the Omicron-specific vaccine had slightly better immune responses against the Omicron variant.

A new IND was filed for this S-only vaccine candidate in June 2021 and was cleared by the FDA in July 2021. We initiated dosing with this candidate in a two-part Phase 2 clinical study in October 2021, with approximately 896 participants planned for enrollment utilizing a two-part study design. The first part of the study (“Part 1”) planned enrollment of 48 participants aged 18 to 55 and 48 participants aged 56 to 75, in order to further evaluate safety and immunogenicity and to assess optimal dosage. Further, half the subjects in the trial would be prior vaccinated (have received two doses of an mRNA vaccine) to test the ability of the Vaxart COVID-19 vaccine candidate to boost immune responses and enhance variant-specific cross-reactivity, and half the subjects would be naïve to prior vaccinations. The purpose of the study was to evaluate safety and immunogenicity and to assess optimal dosage. Upon dose selection from Part 1, the second part of the study (“Part 2”) planned enrollment of approximately 800 subjects aged 18 to 75. Part 2 is designed to test preliminary vaccine efficacy to protect against SARS-CoV-2 infection. The first part of the study (“Part 1”) has been completed. The actual enrollment of participants for Part 1 was less than planned due to the inability to identify vaccine-naïve individuals. Approximately half of the subjects in the trial were prior vaccinated (have received two doses of an mRNA vaccine) to test the ability of the Vaxart COVID-19 vaccine candidate to boost immune responses and enhance variant-specific cross-reactivity. Top-line data from this portion of the trial was announced in September 2022, indicating that the primary and secondary end-points were both met. Vaxart’s oral vaccine candidate was able to boost the serum antibody responses for volunteers that previously received an mRNA vaccine (either Pfizer/BioNTech or Moderna). Serum neutralizing antibody responses to SARS-CoV-2 (Wuhan), a recognized correlate of protection, were boosted in this population from a geometric mean of 481 to 778, a fold rise of 1.6. Volunteers that had lower starting titers had larger increases than subjects that had higher titers. There were also substantial increases in the neutralizing antibody responses to the SARS-CoV-2 Omicron BA4/5 in these volunteers as measured by sVNT assay. Increases in the mucosal IgA antibody responses (antibodies in the nose and mouth) were observed in approximately 50% of subjects. Subjects that had an increase in the mucosal IgA response to SARS-CoV-2 Wuhan S had an increase in IgA responses

to other coronaviruses including SARS-CoV-2 Omicron BA4/5 and SARS-CoV-1, demonstrating the cross-reactive nature of these immune readouts. We are currently evaluating the results from Part 1 to determine whether we will proceed to Part 2 of the study.

We have initiated work on vaccine candidates that directly target new Omicron BA.4 and BA.5 subvariants. These candidates are currently in preclinical testing. We are also developing bivalent candidates that contain Wuhan and Omicron antigens, and will also evaluate these new constructs as part of a potential bivalent vaccine for COVID-19. We will determine the best path forward in developing a vaccine that can hinder viral infection and transmission for current and emerging variants. Our expectation is that these vaccine candidates will be available to evaluate preclinically in the fourth quarter of 2022, and clinically in the first half of 2023. We have announced a partnership with hVivo to test a Vaxart vaccine candidate for efficacy in a SARS-CoV-2 human challenge study. This study is expected to begin in 2023 once hVivo has completed GMP manufacturing and testing of a viral challenge strain.

Additionally, international Phase 1b and Phase 2 COVID-19 trials, including a placebo-controlled efficacy trial in India, are under consideration.

- **Norovirus Vaccine.** Norovirus is the leading cause of acute gastroenteritis symptoms, such as vomiting and diarrhea, among people of all ages in the United States. Each year, on average, norovirus causes up to 21 million cases of acute gastroenteritis and contributes up to 109,000 hospitalizations and 900 deaths, mostly among young children and older adults. Typical symptoms include dehydration, vomiting, diarrhea with abdominal cramps, and nausea. In a study by the CDC and Johns Hopkins University, published in 2016, the global economic impact of norovirus disease was estimated at \$60 billion, \$34 billion of which occurred in high income countries including the United States, Europe and Japan. An update by the lead authors estimated the burden in the U.S. alone to be \$10.5 billion in 2018. Virtually all norovirus disease is caused by norovirus GI and GII genotypes, and we are developing a bivalent vaccine designed to protect against both. We anticipate that, if approved, the vaccine will be an annual, one-time administration ahead of the winter season when norovirus incidence is at its peak, similar to the influenza season.

In 2019, we completed the active phase of a Phase 1b clinical trial with our bivalent oral tablet vaccines for the GI.1 and GII.4 norovirus strains. Both the oral norovirus GI.1 and GII.4 vaccines were well tolerated with no serious adverse events reported. Most solicited and unsolicited adverse events were mild in severity, and there were no significant differences observed between the vaccine and placebo treatment groups.

Vaxart's bivalent vaccine (GI.1 and GII.4 co-administered) demonstrated robust immunogenicity, with an IgA ASC response rate of 78% for the GI.1 strain and 93% for the GII.4 strain for the bivalent cohort of the study, when compared to 86% and 90%, respectively, for the two monovalent cohorts of the study. These results indicate that co-administration of the two vaccines, the intended approach for proceeding into Phase 2 and 3 trials, shows no cross-interference, or reduction from the response observed with individual (monovalent) vaccine delivery.

We resumed clinical development of our norovirus vaccine candidate in late 2020 by planning the conduct of three clinical trials. In early 2021 we initiated dosing a subset of subjects (second dose after more than one year) in the Phase 1b bivalent study. In results announced on July 29, 2021, we reported that we were able to successfully boost immune responses with the G1.1 norovirus tablets in prior vaccinated subjects. These responses include IgA antibody secreting cells, as well as IgG and IgA serum antibody responses. In mid-2021 we started a placebo-controlled, dose ranging study in elderly adult subjects aged 55 to 80 to evaluate the safety and immunogenicity of the vaccine in the older population. The top-line results were disclosed in June of 2022. The immune response to the vaccine was similar in healthy older individuals (ages 55 to 80) as it was in younger individuals in a previous study as measured by the numbers of antibody secreting cells (IgA ASC) and serum antibodies. Lastly, we also conducted an open-label trial to evaluate the optimal timing of boost administration in young adults in which 3 cohorts of subjects received their second dose (boost) at varying timepoints between 1 and 3 months post initial vaccination. This study was performed as data from trials with adenovirus vaccines indicate that boost administration at a later timepoint (e.g., 12 weeks) may offer a more robust immune response. The top-line results from this study were disclosed in June of 2022. Data indicated that the vaccine candidate was able to successfully boost antibody responses, with antibody responses trending better with administration spread out over 3 months versus a shorter interval.

We are also conducting additional Phase 2 clinical trials with our norovirus vaccine candidates. The first trial, which was initiated in early 2022, is a Phase 2 norovirus challenge study which will evaluate safety, immunogenicity and clinical efficacy of a norovirus GI.1 vaccine compared to a placebo control post norovirus challenge. A futility analysis is expected in fourth quarter of 2022, and if positive, efficacy results are expected end of the first quarter of 2023. The second clinical trial will be a Phase 2 multi-center, placebo-controlled dose confirmation trial evaluating the safety and immunogenicity of Vaxart's bivalent norovirus vaccine in subjects aged 18 years and older. This trial is expected to begin in late 2022 or early 2023. The data from these Phase 2 studies is expected to form the basis (safety, immunogenicity and preliminary efficacy data) for an End of Phase 2 Meeting with the FDA to gain concurrence on the scope and design of the Phase 3 pivotal efficacy study in adults over 18 years of age.

- **Seasonal Influenza Vaccine.** Influenza is a major cause of morbidity and mortality in the U.S. and worldwide and, according to the CDC, only 49% of eligible U.S. citizens were vaccinated in 2018/2019, with particularly low vaccination rates among adults between ages 18 and 49. We believe our oral tablet vaccine has the potential to improve the protective efficacy of currently available influenza vaccines and increase flu vaccination rates.

Influenza is one of the most common global infectious diseases, causing mild to life-threatening illness and even death. Approximately 350 million cases of seasonal influenza occur annually worldwide, of which three to five million cases are considered severe, causing 290,000 to 650,000 deaths per year. During the flu season of 2018/2019 there were 34,200 flu related deaths in the U.S. alone, according to the CDC. Very young children and the elderly are at the greatest risk. In the United States, between 5% and 20% of the population contracts influenza, 226,000 people are hospitalized with complications of influenza, and between 3,000 and 49,000 people die from influenza and its complications each year, with up to 90% of the influenza-related deaths occurring in adults older than 65. The total economic burden of seasonal influenza has been estimated to be \$87.1 billion, including medical costs which average \$10.4 billion annually, while lost earnings due to illness and loss of life amount to \$16.3 billion annually.

We believe our tablet vaccine candidate may potentially address many of the limitations presented by injectable egg-based influenza vaccines for the following reasons: (i) our tablet vaccine candidates are designed to create broad and durable immune responses, which may provide more effective immunity and protect against additional strain variants; (ii) our vaccine is delivered as a room temperature-stable tablet, which we believe would provide a more convenient method of administration, enhancing patient acceptance and simplifying the distribution and administration process; (iii) we believe our tablet vaccine may be manufactured more rapidly than vaccines manufactured using egg-based methods by using recombinant methods; and (iv) using our tablet vaccine in lieu of egg-based vaccines would eliminate the risk of experiencing allergic reactions to egg protein.

In September 2018, we completed a \$15.7 million contract with the U.S. Government through the Department of Health and Human Services, Office of Biomedical Advanced Research and Development Authority (“HHS BARDA”) under which a Phase 2 challenge study of our H1N1 flu vaccine candidate was conducted. We announced that, in healthy volunteers immunized and then experimentally infected with H1 influenza, our H1 influenza oral tablet vaccine reduced clinical disease by 39% relative to placebo. Fluzone, the market-leading injectable quadrivalent influenza vaccine, reduced clinical disease by only 27%. Our tablet vaccine also showed a favorable safety profile, indistinguishable from placebo.

On October 4, 2018, we presented data from the study demonstrating that our vaccine elicited a significant expansion of mucosal homing receptor plasmablasts to approximately 60% of all activated B cells. We believe these mucosal plasmablasts are a key indicator of a protective mucosal immune response and a unique feature of our vaccines. This data also indicates that our vaccines provide protection by inducing mucosal immunity (the first line of defense against mucosal infections such as flu, norovirus and RSV), marking what could be a key advantage over injectable vaccines.

In addition to our conventional seasonal flu vaccine, we entered into a research collaboration agreement with Janssen Vaccines & Prevention B.V. (“Janssen”) in July 2019 to evaluate our proprietary oral vaccine platform for the Janssen universal influenza vaccine program. Under the agreement, we produced a non-GMP oral vaccine candidate containing certain proprietary antigens from Janssen and tested the product in a preclinical challenge model. The preclinical study has been completed and we have submitted a report to Janssen.

- **RSV Vaccine.** RSV is a major respiratory pathogen with a significant burden of disease in the very young and in the elderly.

Based on the positive results of our preclinical cotton rat study, we believe our proprietary oral vaccine platform has the potential to be the optimal vaccine delivery system for RSV, offering significant advantages over injectable vaccines.

- **HPV Therapeutic Vaccine.** Our first therapeutic oral vaccine candidate targets HPV 16 and HPV 18, the two strains responsible for 70% of cervical cancers and precancerous cervical dysplasia.

Cervical cancer is the fourth most common cancer in women worldwide and in the United States with about 13,000 new cases diagnosed annually in the United States according to the National Cervical Cancer Coalition.

We have tested our HPV 16 vaccine candidate in two different HPV 16 solid tumor models in mice. The vaccine elicited T cell responses and promoted migration of the activated T cells into the tumors, leading to tumor cell killing. Mice that received our HPV 16 vaccine showed a significant reduction in volume of their established tumors.

In October 2018, we filed a pre-IND meeting request with the FDA for our first therapeutic vaccine targeting HPV 16 and HPV 18 and we subsequently submitted our pre-IND briefing package. We received feedback from the FDA in January 2019 to support submission of an IND application to support initiation of clinical testing. Vaxart plans to initiate its clinical program of an oral HPV tableted vaccine with a clinical trial in young adult women with HPV 16 or HPV 18-associated High-grade Squamous Intraepithelial Lesion (HSIL), pending regulatory and IRB/EC approvals. The trial would evaluate the safety, immunogenicity and preliminary clinical efficacy with repeat dose vaccine administration against a placebo control group.

Antivirals

- Through the Merger, we acquired two royalty earning products, Relenza and Inavir. We also acquired three Phase 2 clinical stage antiviral compounds, which we have discontinued independent clinical development of. However, for one of these, Vapendavir, we have entered into an exclusive worldwide license agreement with Altesa Biosciences, Inc. (“Altesa”) on July 6, 2021, permitting Altesa to develop and commercialize this capsid-binding broad spectrum antiviral.
- Relenza and Inavir are antivirals for the treatment of influenza, marketed by GlaxoSmithKline, plc (“GSK”) and Daiichi Sankyo Company, Limited (“Daiichi Sankyo”), respectively. We have earned royalties on the net sales of Relenza and Inavir in Japan. The last patent for Relenza expired in July 2019 and the last patent for Inavir expires in December 2029. Sales of these antivirals vary significantly by quarter, because influenza virus activity displays strong seasonal cycles, and by year depending on the intensity and duration of the flu season, the impact COVID-19 has had, and may continue to have, on seasonal influenza, and competition from other antivirals such as Tamiflu and Xofluza.

Financial Operations Overview**Revenue***Revenue from Customer Service Contracts*

We earned revenue from a fixed price service contract, as amended, for a total of \$617,000, which we completed in the first three months of 2021.

Royalty Revenue

We earn royalty revenue, net of amounts recognized as non-cash royalty revenue related to the sale of future royalties, based on a fixed percentage of net sales of Inavir, a treatment for influenza, from our licensee, Daiichi Sankyo, under a royalty agreement which will expire in December 2029.

Non-Cash Royalty Revenue Related to the Sale of Future Royalties

In April 2016, Aviragen sold certain royalty rights related to Inavir in the Japanese market for \$20.0 million to HealthCare Royalty Partners III, L.P. (“HCRP”). We pay HCRP the first \$3 million plus 15% of the next \$1 million of royalties earned in annual periods ending on March 31. At the time of the Merger, the estimated future benefit to HCRP was remeasured at fair value and was estimated to be \$15.9 million, which we account for as a liability and amortize using the effective interest method over the remaining estimated life of the arrangement. The estimated future benefit was remeasured as of December 31, 2021, when the fair value was estimated to be \$11.5 million, resulting in a revaluation gain of \$3.8 million. Even though we do not retain the related royalties under the transaction, as the amounts are remitted to HCRP, we will continue to record revenue related to these royalties until the amount of the associated liability and related interest is fully amortized.

Research and Development Expenses

Research and development expenses represent costs incurred on conducting research, such as developing our tablet vaccine platform, and supporting preclinical and clinical development activities of our tablet vaccine candidates. We recognize all research and development costs as they are incurred. Research and development expenses consist primarily of the following:

- employee-related expenses, which include salaries, benefits and stock-based compensation;
- expenses incurred under agreements with contract research organizations (“CROs”), that conduct clinical trials on our behalf;
- expenses incurred under agreements with contract manufacturing organizations (“CMOs”), that manufacture product used in the clinical trials;
- expenses incurred in procuring materials and for analytical and release testing services required to produce vaccine candidates used in clinical trials;
- process development expenses incurred internally and externally to improve the efficiency and yield of the bulk vaccine and tablet manufacturing activities;
- laboratory supplies and vendor expenses related to preclinical research activities;
- consultant expenses for services supporting our clinical, regulatory and manufacturing activities; and
- facilities, depreciation and allocated overhead expenses.

We do not allocate our internal expenses to specific programs. Our employees and other internal resources are not directly tied to any one research program and are typically deployed across multiple projects. Internal research and development expenses are presented as one total.

We have incurred significant external costs for CROs that conduct clinical trials on our behalf, and for CMOs that manufacture our tablet vaccine candidates, although these costs have decreased in 2022 since we now perform the majority of our manufacturing activities in-house. We have captured these external costs for each vaccine program. We do not allocate external costs incurred on preclinical research or process development to specific programs.

The following table shows our period-over-period research and development expenses, identifying external costs that were incurred in each of our vaccine programs and, separately, on preclinical research and process development (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
External program costs:				
COVID-19 program	\$ 2,287	\$ 1,860	\$ 5,244	\$ 8,020
Norovirus program	2,491	1,202	6,229	2,746
All other programs	52	—	171	—
Preclinical research	317	870	1,267	1,811
Process development	634	386	1,820	1,680
Total external costs	5,781	4,318	14,731	14,257
Internal costs	16,685	8,091	45,864	18,962
Total research and development	\$ 22,466	\$ 12,409	\$ 60,595	\$ 33,219

We expect that research and development expenses will increase in 2022 and beyond as we advance our tablet vaccine candidates into and through clinical trials, pursue regulatory approval of our tablet vaccine candidates and prepare for a possible commercial launch, all of which will also require a significant investment in manufacturing and inventory related costs. To the extent that we enter into licensing, partnering or collaboration agreements, a significant portion of such costs may be borne by third parties.

The process of conducting clinical trials necessary to obtain regulatory approval is costly and time consuming. We may never succeed in achieving marketing approval for our tablet vaccine candidates. The probability of successful commercialization of our tablet vaccine candidates may be affected by numerous factors, including clinical data obtained in future trials, competition, manufacturing capability and commercial viability. As a result, we are unable to determine the duration and completion costs of our research and development projects or when and to what extent we will generate revenue from the commercialization and sale of any of our tablet vaccine candidates.

General and Administrative Expense

General and administrative expenses consist of personnel costs, allocated expenses and expenses for outside professional services, including legal, audit, accounting, public relations, market research and other consulting services. Personnel costs consist of salaries, benefits and stock-based compensation. Allocated expenses consist of rent, depreciation and other facilities-related expenses.

Results of Operations

The following table presents selected items in the condensed consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2022 and 2021 (in thousands, except percentages):

	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>% Change</u>	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Revenue	\$ —	\$ 200	(100)%	\$ 85	\$ 818	(90)%
Operating expenses	29,426	17,451	69%	83,534	49,355	69%
Operating loss	(29,426)	(17,251)	71%	(83,449)	(48,537)	72%
Net non-operating income (expense)	133	(311)	(143)%	(340)	(1,080)	(69)%
Loss before income taxes	(29,293)	(17,562)	67%	(83,789)	(49,617)	69%
Provision for income taxes	16	21	(24)%	51	89	(43)%
Net loss	<u>\$ (29,309)</u>	<u>\$ (17,583)</u>	67%	<u>\$ (83,840)</u>	<u>\$ (49,706)</u>	69%

Total Revenue

The following table summarizes our revenues for the three and nine months ended September 30, 2022 and 2021 (in thousands, except percentages):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Revenue from customer service contracts	\$ —	\$ —	N/A	\$ —	\$ 13	(100)%
Non-cash royalty revenue related to sale of future royalties	—	200	(100)%	85	805	(89)%
Total revenue	\$ —	\$ 200	(100)%	\$ 85	\$ 818	(90)%

Revenue from Customer Service Contracts

We earned revenue from customer service contracts of \$13,000 in the nine months ended September 30, 2021, all in the first quarter. This revenue was recognized from a fixed price contract executed in July 2019, as amended, for a total of \$617,000, which we have now completed.

Non-cash Royalty Revenue Related to Sale of Future Royalties

Non-cash royalty revenue related to sale of future royalties for the three months ended September 30, 2022 and 2021, was nil and \$ 200,000, respectively, and for the nine months ended September 30, 2022 and 2021, was \$ 85,000 and \$ 805,000, respectively, the decrease in both periods being due to a reduction in sales of Inavir in Japan. We do not recognize any royalty revenue from sales of Inavir until the first \$3 million net of 5% withholding tax in years ending on March 31 has been recognized as non-cash royalty revenue related to sale of future royalties. We recognized no royalty revenue in the years ended March 31, 2022 and 2021, because net royalties were only \$448,000 and \$1.3 million, respectively. We believe royalties have been abnormally low for the last two years primarily because social distancing and mask wearing due to the COVID-19 pandemic have caused the number of influenza infections to decline. Due to the unpredictability of the impact of COVID-19 on future flu seasons we are unable to forecast the amount of royalty revenue, if any, and non-cash royalty revenue related to sale of future royalties that we will earn in the future.

Total Operating Expenses

The following table presents our operating expenses for the three and three and nine months ended September 30, 2022 and 2021 (in thousands, except percentages):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Research and development	\$ 22,466	\$ 12,409	81%	\$ 60,595	\$ 33,219	82%
General and administrative	6,960	5,042	38%	22,939	16,136	42%
Total operating expenses	\$ 29,426	\$ 17,451	69%	\$ 83,534	\$ 49,355	69%

Research and Development

For the three months ended September 30, 2022, research and development expenses increased by \$10.1 million, or 81%, compared to the three months ended September 30, 2021. The increase is primarily due to increased personnel costs, including stock-based compensation, facilities allocation and recruitment costs, higher in-house manufacturing costs, increased clinical trial expenses and higher depreciation, partially offset by a decrease in CMO costs.

For the nine months ended September 30, 2022, research and development expenses increased by \$27.4 million, or 82%, compared to the nine months ended September 30, 2021. The increase is primarily due to increased personnel costs, including stock-based compensation and facilities allocation related to headcount increases, higher in-house manufacturing costs, increased clinical trial expenses related to our vaccine candidates and higher depreciation, partially offset by a decrease in CMO costs related to our vaccine candidate.

We expect that research and development expenses will be significantly higher in 2022 and beyond than in 2021 as we continue to increase our headcount and incur significant expenditures on manufacturing and clinical trials for our COVID-19 and norovirus vaccine candidates.

General and Administrative

For the three months ended September 30, 2022, general and administrative expenses increased by \$1.9 million, or 38%, compared to the corresponding period in 2021. The principal reasons for the increase are increased personnel costs, including non-cash stock-based compensation expense, and increases in legal fees.

For the nine months ended September 30, 2022, general and administrative expenses increased by \$6.8 million, or 42%, compared to the nine months ended September 30, 2021. The principal reasons for the increase are the cost of settling shareholder litigation, increased personnel costs, including non-cash stock-based compensation expense not related to award modifications, and increases in legal and other professional fees, partially offset by the absence of a one-off non-cash expense for modifying the terms of outstanding options awarded to our former Chairman of the Board.

Non-Operating Income (Expense)

The following table presents our non-operating income and expenses for the three and nine months ended September 30, 2022 and 2021, respectively (in thousands, except percentages):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Interest income, net	\$ 458	\$ 26	1,662%	\$ 650	\$ 58	1,021%
Non-cash interest expense related to sale of future royalties	(325)	(337)	(4)%	(988)	(1,137)	(13)%
Foreign exchange loss, net	—	—	N/A	(2)	(1)	100%
Net non-operating income (expense)	\$ 133	\$ (311)	(143)%	\$ (340)	\$ (1,080)	(69)%

For the three months ended September 30, 2022, we recorded net non-operating income of \$133,000, a 143% decrease from the \$311,000 net expense recorded in the three months ended September 30, 2021. For the nine months ended September 30, 2022, we recorded net non-operating expenses of \$340,000, a 69% decrease from the \$1,080,000 recorded in the nine months ended September 30, 2021.

Interest income increased in the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021, due to higher interest rates. Non-cash interest expense related to sale of future royalties, which relates to accounting for amounts that will become payable to HCRP for royalty revenue earned from Inavir as debt, decreased in the three and nine months ended September 30, 2022, compared to the corresponding period in the prior year, as the outstanding balance due to HCRP was revalued as of December 31, 2021, resulting in a reduction of \$3.8 million in the estimated liability.

Provision for Income Taxes

The following table presents our provision for income taxes for the three and nine months ended September 30, 2022 and 2021, respectively (in thousands, except percentages):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% Change	2022	2021	% Change
Foreign withholding tax on royalty revenue	\$ —	\$ 10	(100)%	\$ 4	\$ 40	(90)%
Foreign taxes payable on intercompany interest	16	15	7%	45	48	(6)%
State income taxes	—	(4)	(100)%	2	1	100%
Provision for income taxes	\$ 16	\$ 21	(24)%	\$ 51	\$ 89	(43)%

The provision for income taxes comprises \$16,000 and \$21,000 in the three months ended September 30, 2022 and 2021, respectively, and \$51,000 and \$89,000 in the nine months ended September 30, 2022 and 2021, respectively. The tax charge relates primarily to interest on an intercompany loan from a foreign subsidiary and a 5% withholding tax on royalty revenue earned on sales of Inavir in Japan, which is potentially recoverable as a foreign tax credit but expensed because we record a 100% valuation allowance against our deferred tax assets.

Liquidity and Capital Resources

Our primary source of financing is from the sale and issuance of common stock and common stock warrants in public offerings, along with proceeds from the exercise of warrants. In the past, we have also obtained funds from the issuance of secured debt and preferred stock and from collaboration agreements. In September 2021 we entered into a Controlled Equity Offering Sales Agreement (the “September 2021 ATM”), under which we may offer and sell, from time to time through sales agents, shares of our common stock having an aggregate offering price of up to \$100 million. As of September 30, 2022, we had received net proceeds of \$8.6 million from the sale of common stock under the September 2021 ATM. We incur direct expenses and pay sales commissions of up to 2.0% of gross proceeds from the sale of shares under the September 2021 ATM.

As of September 30, 2022, we had approximately \$114.8 million of cash, cash equivalents and marketable securities.

We believe our existing funds are sufficient to fund us for at least one year from the date of issuance of this Quarterly Report. To continue operations thereafter, we expect that we will need to raise further capital, through the sale of additional securities or otherwise. As of September 30, 2022, we had approximately \$87 million in net proceeds still available to us under the September 2021 ATM. Our future capital requirements and the adequacy of our available funds will depend on many factors, most notably our ability to successfully commercialize our products and services.

We may fund a portion of our ongoing operations through partnering and collaboration agreements which, while reducing our risks and extending our cash runway, may also reduce our share of eventual revenues, if any, from our vaccine product candidates. We may be able to fund certain activities with assistance from government programs. The sale of additional equity would result in additional dilution to our stockholders. We may also fund our operations through debt financing, which would result in debt service obligations, and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. If we are unable to raise additional capital in sufficient amounts or on acceptable terms, we may be required to delay, limit, reduce, or terminate our product development or future commercialization efforts or grant rights to develop and market vaccine candidates that we would otherwise prefer to develop and market ourselves. Any of these actions could harm our business, results of operations and prospects.

Our future funding requirements will depend on many factors, including the following:

- the timing and costs of our planned preclinical studies for our product candidates;
- the timing and costs of our planned clinical trials of our product candidates;
- our manufacturing capabilities, including the availability of contract manufacturing organizations to supply our product candidates at reasonable cost;
- the number and characteristics of product candidates that we pursue;
- the outcome, timing and costs of seeking regulatory approvals;
- revenue received from commercial sales of our future products, which would be subject to receipt of regulatory approval;
- the terms and timing of any future collaborations, licensing, consulting or other arrangements that we may enter into;
- the amount and timing of any payments that may be required in connection with the licensing, filing, prosecution, maintenance, defense and enforcement of any patents or patent applications or other intellectual property rights; and
- the extent to which we in-license or acquire other products and technologies.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Nine Months Ended September 30,	
	2022	2021
Net cash used in operating activities	\$ (65,627)	\$ (44,018)
Net cash used in investing activities	(36,216)	(40,920)
Net cash provided by financing activities	8,866	125,299
Net (decrease) increase in cash and cash equivalents	<u>\$ (92,977)</u>	<u>\$ 40,361</u>

Net Cash Used in Operating Activities

Vaxart experienced negative cash flow from operating activities for the nine months ended September 30, 2022 and 2021, in the amounts of \$65.6 million and \$44.0 million, respectively. The cash used in operating activities in the nine months ended September 30, 2022, was due to cash used to fund a net loss of \$83.8 million and a decrease in working capital of \$3.3 million, further decreased by adjustments for net non-cash income related to depreciation and amortization, accretion of premium on investments, stock-based compensation, non-cash interest expense related to sale of future royalties and non-cash revenue related to sale of future royalties totaling \$14.9 million. The cash used in operating activities in the nine months ended September 30, 2021, was due to cash used to fund a net loss of \$49.7 million and an increase in working capital of \$3.6 million, partially offset by adjustments for net non-cash income related to depreciation and amortization, accretion of premium on investments, stock-based compensation, non-cash interest expense related to sale of future royalties and non-cash revenue related to sale of future royalties totaling \$9.3 million.

Net Cash Used in Investing Activities

In the nine months ended September 30, 2022, we used \$25.5 million to purchase marketable securities, net of maturities, \$5.7 million to purchase property and equipment and \$5.0 million to pay for right-of-use assets. In the nine months ended September 30, 2021, we used \$36.8 million to purchase marketable securities, net of maturities, and \$4.1 million to purchase property and equipment.

Net Cash Provided by Financing Activities

In the nine months ended September 30, 2022, we received net proceeds of \$8.7 million from the sale of common stock under the September 2021 ATM and \$216,000 from the exercise of stock options and warrants. In the nine months ended September 30, 2021, we received net proceeds of \$122.2 million from the sale of common stock under the October 2020 ATM and \$3.1 million from the exercise of common stock warrants and stock options.

Contractual Obligations and Commercial Commitments

We have the following contractual obligations and commercial commitments as of September 30, 2022 (in thousands):

<u>Contractual Obligation</u>	<u>Total</u>	<u>< 1 Year</u>	<u>1 - 3 Years</u>	<u>3 - 5 Years</u>	<u>> 5 Years</u>
Long Term Debt, HCRP	\$ 17,027	\$ 2,552	\$ 5,816	\$ 4,638	\$ 4,021
Operating Leases	30,814	4,098	8,513	10,150	8,053
Purchase Obligations	13,696	13,696	—	—	—
Total	<u>\$ 61,537</u>	<u>\$ 20,346</u>	<u>\$ 14,329</u>	<u>\$ 14,788</u>	<u>\$ 12,074</u>

Long Term Debt, HCRP. Under an agreement executed in 2016, we are obligated to pay HCRP the first \$3 million plus 15% of the next \$1 million of royalty revenues that we earn for sales of Inavir in each year ending on March 31. See [Note 6](#) to the Condensed Consolidated Financial Statements in Part I, Item 1 for further details.

Operating leases. Operating lease amounts include future minimum lease payments under all our non-cancellable operating leases with an initial term in excess of one year. See [Note 7](#) to the Condensed Consolidated Financial Statements in Part I, Item 1 for further details of leases.

Purchase obligations. These amounts include an estimate of all open purchase orders and contractual obligations in the ordinary course of business, including commitments with contract manufacturers and suppliers for which we have not received the goods or services. We consider all open purchase orders, which are generally enforceable and legally binding, to be commitments, although the terms may afford us the option to cancel based on our business needs prior to the delivery of goods or performance of services.

Share based payment arrangements. Since we were a private company, we have issued stock options to all full-time new hires other than interns and have also issued options to these employees annually. Beginning in 2022, we have shifted from awarding options only to issuing a mixture of options and restricted stock units (“RSUs”). As of September 30, 2022, unrecognized stock-based compensation cost related to outstanding unvested stock options and RSUs expected to vest was \$36.2 million and \$2.2 million, respectively, which we expect to recognize over an estimated weighted average period of 3.03 and 3.46 years, respectively. In addition, we have adopted an Employee Stock Purchase Plan which we expect will become effective on December 15, 2022.

Critical Accounting Policies and Estimates

Our management’s discussion and analysis of financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. On an ongoing basis, we evaluate these estimates and judgments. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities and the recording of expenses that are not readily apparent from other sources. Actual results may differ materially from these estimates. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management’s judgments and estimates.

Accrued Research and Development Expenses

We record accrued expenses for estimated costs of research and development activities conducted by third-party service providers, which include the conduct of preclinical studies, clinical trials and manufacturing activities. We record the estimated costs of research and development activities based upon the estimated amount of services provided and include the costs incurred but not yet invoiced within accrued liabilities in the condensed consolidated balance sheets and within research and development expense in the condensed consolidated statements of operations and comprehensive loss. These costs can be a significant component of our research and development expenses.

We estimate the amount of work completed through discussions with internal personnel and external service providers as to the progress or stage of completion of the services and the agreed-upon fee to be paid for such services. We make significant judgments and estimates in determining the accrued balance in each reporting period. As actual costs become known, we adjust our accrued estimates.

Intangible Assets

Intangible assets acquired in the Merger were initially recorded at their estimated fair values of \$20.3 million for developed technology related to Inavir which was, until it was revalued, being amortized on a straight-line basis over the estimated period of future royalties of 11.75 years and \$1.8 million for the developed technology related to Relenza which was fully amortized over the remaining royalty period of 1.3 years. The developed technology related to Inavir was revalued at \$10.6 million as of December 31, 2021, resulting in an impairment loss of \$3.0 million being recorded. The fair value is being amortized on a straight-line basis over 7.9 years, the estimated period of future royalties remaining as of December 31, 2021, when it was revalued. These valuations were prepared by an independent third party based on discounted cash flows of estimated future revenue streams, which are highly subjective, especially since the start of the COVID-19 pandemic due to the unpredictability of the duration of its impact on future flu seasons.

Stock-Based Compensation

We measure the fair value of all stock option awards to employees, non-executive directors and consultants on the grant date, and record the fair value of these awards, net of estimated forfeitures, as compensation expense over the service period. The fair value of options is estimated using the Black-Scholes valuation model and the expense recorded is affected by subjective assumptions regarding a number of variables, as follows:

Expected term – This represents the period that our stock-based awards granted are expected to be outstanding and is determined using the simplified method (the arithmetic average of its original contractual term and its average vesting term). We have very limited historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for our stock-based awards. Based on the weighted average applied to options awarded in nine months ended September 30, 2022, a notional 10% decrease in expected term would have reduced the fair value and the related compensation expense by approximately 2.2%.

Expected volatility – This is a measure of the amount by which our common stock price has fluctuated or is expected to fluctuate. We measure volatility based on the historical volatility of our own stock over the retrospective period corresponding to the expected term of the options on the measurement date. Based on the weighted average applied to options awarded in nine months ended September 30, 2022, a notional 10% decrease in expected volatility (from 125% to 113%) would have reduced the fair value and the related compensation expense by approximately 4.4%.

Risk-Free Interest Rate – This is based on the U.S. Treasury yield curve on the measurement date corresponding with the expected term of the stock-based awards. Based on the weighted average applied to options awarded in nine months ended September 30, 2022, a notional doubling of the risk-free interest rate would have increased the fair value and the related compensation expense by approximately 0.9%.

Expected Dividend – We have not made any dividend payments and do not plan to pay dividends in the foreseeable future. Therefore, we use an expected dividend yield of zero.

Forfeiture Rate – This is a measure of the number of awards that are expected to not vest and is reassessed quarterly. An increase in the estimated forfeiture rate will cause a small decrease the related compensation expense early in the service period, but since the final expense recorded for each award is the number of options vested times their grant date fair value, it has no impact on the total expense recorded.

Recent Accounting Pronouncements

See the “Recent Accounting Pronouncements” in Note 2 to the Condensed Consolidated Financial Statements in Part I, Item 1 for information related to the issuance of new accounting standards in the first nine months of 2022, none of which had a material impact on our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our investments in marketable debt securities. The primary objective of our investment activities is to preserve principal, maintain liquidity that is sufficient to meet cash needs and maximize total return without significantly increasing risk. To achieve this goal, we maintain our excess cash and cash equivalents in money market funds and debt securities. We do not enter into investments for trading or speculative purposes and we hold no equity securities. We presently have no borrowings or lines of credit.

Specifically, as of September 30, 2022, we had cash, cash equivalents and investments of approximately \$114.8 million, which consist of bank deposits, money market funds, direct obligations of the U.S. government or its agencies, commercial paper and corporate bonds. All of our investments must satisfy high credit rating requirements at the time of purchase. Such interest-earning instruments carry a degree of interest rate risk, however, because our investments are rated highly and mostly short-term, we believe that our exposure to risk of loss due to interest rate changes is not significant.

Exchange Rate Sensitivity

Presently, we are not retaining any cash related to our income from royalties and substantially all of our expenses, assets and liabilities are denominated in U.S. dollars. As a result, we have not experienced significant foreign exchange gains or losses recently and consider our exposure to exchange rate fluctuations to be insignificant.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal accounting and financial officer, has evaluated 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, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our management has concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2022.

Changes in Internal Control over Financial Reporting

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

Inherent Limitations on Effectiveness of Controls

Our management, including our principal executive officer and principal accounting and financial officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Vaxart have been detected.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information included in “Note 8. Commitments and Contingencies—(c) [Litigation](#)” to the Condensed Consolidated Financial Statements in Part I, Item 1 is incorporated by reference into this Item.

We may also from time to time be involved in legal proceedings arising in connection with our business. Based on information currently available, we believe that the amount, or range, of reasonably possible losses in connection with any pending actions against us in excess of established reserves, in the aggregate, is not material to our consolidated financial condition or cash flows. However, any current or future dispute resolution or legal proceeding, regardless of the merits of any such proceeding, could result in substantial costs and a diversion of management’s attention and resources that are needed to run our business successfully, and could have a material adverse impact on our business, financial condition and results of operations.

Item 1A. Risk Factors

You should consider the risks and uncertainties described under Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, which we filed with the Securities and Exchange Commission on February 24, 2022, together with all other information contained or incorporated by reference in this Quarterly Report on Form 10-Q, when evaluating our business and our prospects. There are no material changes to the risk factors set forth in Part I, Item 1A, in our Annual Report on Form 10-K for the year ended December 31, 2021, or in subsequently-issued Forms 10-Q.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference			
		Schedule/Form	File Number	Exhibit	Filing Date
3.1	Certificate of Amendment to Restated Certificate of Incorporation of Vaxart, Inc.	Form 8-K	001-35285	3.1	April 24, 2019
3.2	Certificate of Amendment to Restated Certificate of Incorporation of Vaxart, Inc.	Form 8-K	001-35285	3.1	June 9, 2020
3.3	Certificate of Amendment to Restated Certificate of Incorporation of Vaxart, Inc.	Form 10-Q	001-35285	3.3	August 8, 2022
3.4	Amended and Restated Bylaws of Vaxart, Inc., effective as of April 7, 2021	Form 8-K	001-35285	3.1	April 13, 2021
10.1 #	2019 Equity Incentive Plan	Form 8-K/A	001-35285	10.1	August 8, 2022
10.2 #	2022 Employee Stock Purchase Plan	Form 8-K/A	001-35285	10.2	August 8, 2022
31.1 *	Certification of Principal Executive Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2 *	Certification of Principal Financial Officer pursuant to Exchange Act Rule, 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1 §	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS *	* Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document				
101.SCH *	* Inline XBRL Taxonomy Extension Schema Document				
101.CAL *	* Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF *	* Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB *	* Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE *	* Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				
*	Filed herewith.				
#	Management contract or compensation plan or arrangement.				
§	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 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 certification furnished in Exhibit 32.1 hereto is deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certification will not be deemed to be incorporated by reference into any filing 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.

VAXART, INC.

Dated: November 8, 2022

By: /s/ FUAD AHMAD

Fuad Ahmad

Interim Chief Financial Officer

(Principal Financial and Accounting Officer)

CERTIFICATION

I, Andrei Floroiu, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaxart, 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(s) 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)) 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(s) 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: November 8, 2022

By: /s/ ANDREI FLOROIU

Andrei Floroiu
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Fuad Ahmad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vaxart, 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(s) 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)) 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(s) 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: November 8, 2022

By: /s/ FUAD AHMAD

Fuad Ahmad
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), Andrei Floroiu, President and Chief Executive Officer of Vaxart, Inc. (the "Company"), and Fuad Ahmad, Chief Financial Officer of the Company, each hereby certifies that, to his knowledge:

- (1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2022, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2) The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Date: November 8, 2022

By: /s/ ANDREI FLOROIU

Andrei Floroiu
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 8, 2022

By: /s/ FUAD AHMAD

Fuad Ahmad
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 of 18 U.S.C. § 1350 has been provided to Vaxart, Inc. and will be retained by Vaxart, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.