UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2023

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 001-41374

PEPGEN INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**85-3819886**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
321 Harrison Avenue Boston, MA	**02118**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (781) 797-0979

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.0001 per share	PEPG	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on Nasdaq Global Select Market on June 30, 2023, was $97.7 million. The number of shares of Registrant's Common Stock outstanding as of March 1, 2024 was 32,354,495.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement relating to its 2024 Annual Meeting of Stockholders to be filed hereafter are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

Auditor Firm Id:	185	Auditor Name:	KPMG LLP	Auditor Location:	Phoenix, AZ, USA

Explanatory Note

On March 6, 2024, PepGen Inc. (the "Company") filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K"). The sole purpose of this Amendment No. 1 (this "Amendment") is to include internal controls language that was inadvertently omitted from KPMG LLP's Report of Independent Registered Public Accounting Firm included in the Form 10-K. The revised Report of Independent Registered Public Accounting Firm is included below and the updated Consent of KPMG LLP is filed as Exhibit 23.1 hereto. Except as described above, all other information in the Form 10-K remains unchanged.

This Amendment speaks as of the filing date of the Form 10-K and does not reflect events occurring after the filing of the Form 10-K.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), new certifications by the Company's principal executive officer and principal financial officer are filed herewith as exhibits to this Amendment pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act. As this Amendment does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 4 and 5 of the certifications have been omitted.

In addition, as required by Rule 12b-15 under the Exchange Act, new certifications by the Company's principal executive officer and principal financial officer are filed herewith as exhibits to this Amendment pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(1) For a list of the financial statements included herein, see Index to the Consolidated Financial Statements on page F-1 of this Annual Report on Form 10-K, incorporated into this Item by reference.

(2) Financial statement schedules have been omitted because they are either not required or not applicable or the information is included in the consolidated financial statements or the notes thereto.

(3) Exhibits:

Exhibit Number	Description
3.1**	Third Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on June 16, 2022 (File No. 001-41374)).
3.2**	Certificate of Correction to Third Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on November 10, 2022 (File No. 001-41374)).
3.3**	Amended and Restated By-laws (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on June 16, 2022 (File No. 001-41374)).
4.1**	Amended and Restated Investors' Rights Agreement, dated July 30, 2021, among the Company and certain of its stockholders (Incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
4.2**	Specimen Common Stock Certificate (Incorporated by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
4.3**	Description of Securities (Incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on March 23, 2023 (File No. 001-41374)).
10.1**	2020 Stock Plan, as amended, and forms of award agreements thereunder (Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.2**	2022 Stock Option and Incentive Plan, and forms of award agreements thereunder (Incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.3**	2022 Employee Stock Purchase Plan (Incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.4**	Senior Executive Cash Incentive Bonus Plan (Incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.5**	Non-Employee Director Compensation Policy (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2023 (File No. 001-41374)).
10.6**	Form of Indemnification Agreement between the Company and each of its directors and executive officers (Incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.7**	Employment Agreement, dated March 21, 2023, between James McArthur and the Company (Incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K filed on March 23, 2023 (File No. 001-41374)).
10.8**	Employment Agreement, dated March 21, 2023, between Noel Donnelly and the Company (Incorporated by reference to Exhibit 10.8 to the Company's Annual Report on Form 10-K filed on March 23, 2023 (File No. 001-41374)).
10.9**	Employment Agreement, dated March 21, 2023, between Jaya Goyal and the Company (Incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K filed on March 23, 2023 (File No. 001-41374)).
10.10**	Employment Agreement, dated March 21, 2023, between Michelle Mellion and the Company (Incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K filed on March 23, 2023 (File No. 001-41374)).
10.11**	Employment Agreement, dated March 21, 2023, between Niels Svenstrup and the Company (Incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-K on March 23, 2023 (File No. 001-41374)).
10.12†**	License of Technology, dated November 23, 2020, among Oxford University Limited, Medical Research Counsel as part of the United Kingdom Research and Innovation and PepGen Limited (Incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.13**	Lease, dated December 1, 2021, between B9 LS Harrison & Washington LLC and the Company (Incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
10.14**	First Lease Amendment, dated January 14, 2022, between B9 LS Harrison & Washington LLC and the Company (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2023 (File No. 001-41374)).
10.15**	Lease Amendment, dated March 29, 2023, between B9 LS Harrison & Washington LLC and the Company (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 11, 2023 (File No. 001-41374)).
10.16**	Amendment No. 1 to the License of Technology Agreement, dated February 12, 2021, by and among Oxford University Innovation Limited, Medical Research Counsel as part of the United Kingdom Research and Innovation and PepGen Limited (Incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2023 (File No. 001-41374)).

10.17**	Agreement for Contract Novation, dated January 1, 2022, by and among Oxford University Innovation Limited, United Kingdom Research and Innovation, PepGen Limited and PepGen Inc. (Incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on August 8, 2023 (File No. 001-41374)).
10.18**	At-the-Market Equity Offering Sales Agreement, dated August 8, 2023, between Stifel, Nicolaus & Company, Incorporated and the Company (Incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on August 8, 2023 (File No. 001-41374)).
10.19**	Employment Agreement, dated December 6, 2023, between Mary Beth DeLena and the Company (Incorporated by reference to Exhibit 10.19 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374)).
21.1**	Subsidiaries of Registrant (Incorporated by reference to Exhibit 21.1 to the Company's Registration Statement on Form S-1, as amended (File No. 333-264335)).
23.1*	Consent of KPMG, LLP, independent registered public accounting firm.
31.1**	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference to Exhibit 31.1 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374)).
31.2**	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference to Exhibit 31.2 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374)).
31.3*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference to Exhibit 32.1 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374) (furnished therewith)).
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Incorporated by reference to Exhibit 32.2 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374) (furnished therewith)).
32.3***	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.4***	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97**	Compensation Recovery Policy (Incorporated by reference to Exhibit 97 to the Company's Annual Report on Form 10-K filed on March 6, 2024 (File No. 001-41374)).
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because 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 (embedded within the Inline XBRL document contained in Exhibit 101)

* Filed herewith.
** Previously filed.
*** Furnished herewith
† Portions of this exhibit (indicated by asterisks) have been omitted in accordance with the rules of the SEC.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 29, 2024.

PEPGEN INC.

By:	/s/ Noel Donnelly
Name:	**Noel Donnelly**
	Chief Financial Officer
Title:	(Principal Financial Officer and Principal Accounting Officer)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
PepGen Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of PepGen Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive loss, convertible preferred stock and stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Phoenix, Arizona
March 6, 2024

PEPGEN INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PAR VALUE AMOUNTS)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 80,774	$ 181,752
Marketable Securities	29,633	—
Prepaid expenses and other current assets	2,271	4,331
Total current assets	$ 112,678	$ 186,083
Property and equipment, net	4,764	3,335
Operating lease right-of-use asset	23,620	26,549
Other assets	1,990	1,473
Total assets	$ 143,052	$ 217,440
Liabilities, convertible preferred stock, and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 1,005	$ 1,362
Accrued expenses	13,522	11,913
Operating lease liability	3,004	5,553
Total current liabilities	17,531	18,828
Operating lease liability, net of current portion	17,100	18,981
Total liabilities	34,631	37,809
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized at December 31, 2023 and 2022, respectively	—	—
Common stock, $0.0001 par value; 500,000,000 shares authorized as of December 31, 2023 and 2022, respectively; 23,823,241 and 23,713,196 shares issued and outstanding as of December 31, 2023 and 2022, respectively	2	2
Additional paid-in capital	289,867	282,566
Accumulated other comprehensive income (loss)	34	(81)
Accumulated deficit	(181,482)	(102,856)
Total stockholders' equity (deficit)	108,421	179,631
Total liabilities, convertible preferred stock, and stockholders' equity (deficit)	$ 143,052	$ 217,440

See accompanying notes to consolidated financial statements.

PEPGEN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Year Ended December 31,	
	2023	2022
Operating expenses:		
Research and development	$ 68,126	$ 54,077
General and administrative	16,640	14,224
Total operating expenses	$ 84,766	$ 68,301
Operating loss	$ (84,766)	$ (68,301)
Other income (expense)		
Interest income	6,400	2,793
Other income (expense), net	(187)	110
Total other income, net	6,213	2,903
Net loss before income tax	$ (78,553)	$ (65,398)
Income tax expense	(73)	(3,706)
Net loss	$ (78,626)	$ (69,104)
Net loss per share, basic and diluted	$ (3.30)	$ (4.42)
Weighted-average common shares outstanding, basic and diluted	23,796,000	15,639,728

See accompanying notes to consolidated financial statements.

PEPGEN INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)

	Year Ended December 31,	
	2023	2022
Net loss	$ (78,626)	$ (69,104)
Cumulative translation adjustment arising during the period	104	(98)
Unrealized gain on marketable securities	11	—
Comprehensive loss	$ (78,511)	$ (69,202)

See accompanying notes to consolidated financial statements.

PEPGEN INC.
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	Series A-1 Convertible Preferred Stock		Series A-2 Convertible Preferred Stock		Series B Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of December 31, 2021	1,372,970	8,454	3,939,069	44,639	7,234,766	112,083	963,588	$	$ 1,653	$ 17	$ (33,752)	$ (32,082)
Issuance of Series A-2 stock upon exercise of warrants	—	—	35,529	574	—	—	—	—	—	—	—	—
Conversion of convertible preferred stock upon IPO	(1,372,970)	(8,454)	(3,974,598)	(45,213)	(7,234,766)	(112,083)	12,359,856	1	165,751	—	—	165,752
Issuance of common stock in IPO, net of underwriters' fees and issuance costs of $12,684	—	—	—	—	—	—	10,238,951	1	110,182	—	—	110,183
Release of common stock from vesting restrictions	—	—	—	—	—	—	69,529	—	—	—	—	—
Exercise of stock options	—	—	—	—	—	—	81,272	—	217	—	—	217
Stock-based compensation expense	—	—	—	—	—	—	—	—	4,763	—	—	4,763
Cumulative translation adjustment arising during the period	—	—	—	—	—	—	—	—	—	(98)	—	(98)
Net loss	—	—	—	—	—	—	—	—	—	—	(69,104)	(69,104)
Balance as of December 31, 2022	—	—	—	—	—	—	23,713,196	$ 2	$ 282,566	$ (81)	$ (102,856)	$ 179,631
Issuance of stock under the employee stock purchase plan	—	—	—	—	—	—	9,694	—	40	—	—	40
Exercise of stock options	—	—	—	—	—	—	100,351	—	213	—	—	213
Stock-based compensation expense	—	—	—	—	—	—	—	—	7,048	—	—	7,048
Unrealized gain on marketable securities	—	—	—	—	—	—	—	—	—	11	—	11
Cumulative translation adjustment arising during the period	—	—	—	—	—	—	—	—	—	104	—	104
Net loss	—	—	—	—	—	—	—	—	—	—	(78,626)	(78,626)
Balance as of December 31, 2023	—	—	—	—	—	—	23,823,241	$ 2	$ 289,867	$ 34	$ (181,482)	$ 108,421

See accompanying notes to consolidated financial statements.

PEPGEN INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities:		
Net loss	$ (78,626)	$ (69,104)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	1,184	493
Stock-based compensation expense	7,048	4,763
Amortization and interest accretion related to operating lease	(334)	—
Amortization of premium and discounts on marketable securities, net	(220)	—
Change in fair value of preferred stock warrant liability	—	(58)
Loss on disposal of fixed assets	—	134
Changes in operating assets and liabilities:		
Other receivables	26	4,183
Prepaids and other current and non-current assets	2,038	(1,784)
Accounts payable	(369)	(1,407)
Accrued expenses and other non-current liabilities	1,422	5,531
Operating lease liabilities, current and non-current	(1,166)	(2,016)
Net cash used in operating activities	(68,997)	(59,265)
Cash flows from investing activities:		
Purchases of property and equipment	(2,599)	(3,755)
Purchases of marketable securities	(29,404)	—
Net cash used in investing activities	(32,003)	(3,755)
Cash flows from financing activities:		
Issuance of common stock upon initial public offering, net of underwriters’ fees	—	114,267
Payment of offering costs	(442)	(2,697)
Proceeds from issuance of common stock upon exercise of Series A-2 warrants	—	406
Proceeds from employee equity plans	253	217
Net cash provided by financing activities	(189)	112,193
Effect of exchange rate changes on cash	286	(316)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (100,903)	$ 48,857
Cash, cash equivalents and restricted cash at beginning of period	183,225	134,368
Cash, cash equivalents and restricted cash at end of period	$ 82,322	$ 183,225
Components of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 80,774	$ 181,752
Restricted cash	1,548	1,473
Total cash, cash equivalents and restricted cash at end of period	$ 82,322	$ 183,225
Supplemental noncash investing and financing activities		
Property and equipment included in accounts payable and accrued expenses	$ 14	$ 363
Cash paid for taxes	2,702	—
Lease assets obtained in exchange for new operating lease liabilities	—	26,549

See accompanying notes to consolidated financial statements.

PEPGEN INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business and Basis of Presentation

PepGen Inc. (PepGen or the Company), is a clinical-stage biotechnology company advancing the next generation of oligonucleotide therapeutics with the goal of transforming the treatment of severe neuromuscular and neurologic diseases. The Company's principal offices are located in Boston, Massachusetts.

The Company was initially formed as PepGen Limited on January 25, 2018, in the United Kingdom, or the U.K. On November 9, 2020, PepGen Limited completed a corporate reorganization, or the Reorganization. As part of the Reorganization, PepGen Limited formed PepGen Inc., a Delaware corporation with nominal assets and liabilities, for the purpose of consummating the Reorganization. In connection with the Reorganization, the existing stockholders of PepGen Limited exchanged each of its classes of shares of PepGen Limited for the same number and class of common stock of PepGen Inc. on a one-to-one basis. The newly issued stock of PepGen Inc. had substantially identical rights to the exchanged shares of PepGen Limited. As a result of the exchange, PepGen Inc. became the sole stockholder of PepGen Limited. Upon the completion of the Reorganization on November 23, 2020, the historical financial statements of PepGen Limited became the historical financial statements of PepGen Inc. as the Reorganization was deemed to be between entities under common control.

Initial Public Offering and Follow-On Offerings

On May 10, 2022, the Company closed its initial public offering, or IPO, in which the Company sold an aggregate of 9,000,000 shares at a public offering price of $12.00 per share for gross proceeds of $108.0 million. In connection with the IPO, the Company granted the underwriters a 30-day option to purchase 1,350,000 additional shares of common stock. On May 16, 2022, the underwriters exercised the option in part and the Company issued 1,238,951 shares of common stock for gross proceeds of $14.9 million. From the IPO and option exercise by the underwriters, the Company received approximately $122.9 million in gross proceeds and $110.2 million in net proceeds, after deducting underwriting discounts and offering expenses payable by the Company.

Immediately prior to consummation of the IPO, all 12,546,805 outstanding shares of the Company's redeemable convertible preferred stock, and 35,529 preferred stock warrants that were exercised on May 4, 2022 (see Note 3), converted into 12,359,856 shares of the Company's common stock.

On February 5, 2024, the Company sold shares under its At-the-Market Equity Offering Sales Agreement, or Sales Agreement, with Stifel, Nicolaus & Company, Incorporated dated as of August 8, 2023, resulting in net proceeds of $9.9 million. On February 9, 2024, the Company sold shares in a follow-on offering, referred to as the Follow-on Offering, pursuant to an underwriting agreement with Leerink Partners LLC dated as of February 6, 2024, resulting in net proceeds of $76.9 million after deducting underwriting fees of $3.2 million. Net proceeds from sales under the Sales Agreement and Follow-on Offering, after deducting underwriters' fees and before deducting costs of the offerings, were $86.8 million.

Liquidity and Going Concern

Since inception, the Company has not generated any revenue from product sales or other sources and has incurred significant operating losses and negative cash flows from operations. The Company's primary uses of cash and cash equivalents to date have been to fund research and development activities, business planning, establishing and maintaining the Company's intellectual property portfolio, hiring personnel, leasing premises and associated capital expenditures, raising capital, and providing general and administrative support for these operations. As of December 31, 2023, the Company had an accumulated deficit of $181.5 million. To date, the Company has funded operations primarily through private placements of convertible preferred stock and its IPO. As of December 31, 2023, the Company had cash, cash equivalents, and marketable securities of $110.4 million, excluding net proceeds from the Sales Agreement and Follow-On Offering. Based on its current operating plans, the Company believes that its cash, cash equivalents, and marketable securities as of December 31, 2023, as well as proceeds from the Sales Agreement and Follow-On Offering (see Note 12) will be sufficient to fund its currently planned operations for at least the next 12 months from the filing of these consolidated financial statements.

As the Company continues to pursue its business plan to successfully develop and obtain regulatory approval for the Company's product candidates, it expects to finance its operations through the sale of equity, debt financings or other capital resources, which could include income from collaborations, strategic partnerships or marketing, distribution, licensing or other strategic arrangements with third parties, or from grants. However, there can be no assurance that any additional financing or strategic transactions will be available to the Company on acceptable terms, if at all. If events or circumstances occur such that the Company does not obtain additional funding, it may need to delay, reduce or eliminate its product development or future commercialization efforts, which could have a material adverse effect on the Company's business, results of operations or financial condition.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The consolidated financial statements include the accounts of PepGen Inc. (a U.S. corporation) and its wholly owned subsidiaries PepGen Limited (a U.K. corporation) and PepGen Securities Corp. (a U.S. corporation). All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain amounts disclosed in the prior period financial statements have been reclassified from their original presentation to conform to the current period presentation. The reclassification had no effect on net income, earnings per share, retained earnings, cash flows or total assets.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management bases its estimates and judgments on historical experience, knowledge of current conditions, and beliefs of what could occur in the future, given the available information. On an ongoing basis, management evaluates such estimates and assumptions for continued reasonableness. In particular, management makes estimates with respect to accruals for research and development activities, for the valuation of intellectual property, for the fair value of common stock and convertible preferred stock warrants and stock-based compensation expense. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. Actual results could differ materially from those estimates and assumptions.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, or the CODM. The Company's CODM is its chief executive officer who reviews financial information together with certain operating metrics principally to make decisions about how to allocate resources and to measure the Company's performance. The Company has determined that it operates as a single reportable segment. The Company's CODM evaluates financial information on a consolidated basis. As the Company operates as one operating segment, all required segment financial information is presented in the consolidated financial statements.

Foreign Currency Remeasurement

The Company's reporting currency is the U.S. Dollar. The functional currency of PepGen Limited is the British Pound. The assets and liabilities of PepGen Limited are translated into U.S. Dollars at the exchange rates in effect at each balance sheet date, and the results of operations are translated using the average exchange rates prevailing throughout the reporting period. Adjustments resulting from translating foreign functional currency financial statements into U.S. Dollars are included in the cumulative translation adjustment, a component of accumulated other comprehensive loss in stockholders' equity (deficit).

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and money market accounts. As of December 31, 2023, the Company's cash, cash equivalents, and marketable securities were held by four financial institutions in the U.S. and one financial institution in the U.K. At times, the Company's deposits held in the U.S. and U.K. may exceed the respective insured limits of the Federal Depository Insurance Corporation and Financial Services Compensation Scheme.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. As of December 31, 2023 and 2022, cash and cash equivalents consisted primarily of checking and money market funds composed of U.S. government obligations.

Restricted Cash

The Company classifies all cash whose use is limited by contractual provisions as restricted cash. Restricted cash arises from the requirement for the Company to maintain cash of $1.5 million as collateral under a lease agreement. As of December 31, 2023 and 2022, $1.5 million of restricted cash was recorded in other assets on the consolidated balance sheets.

Marketable Securities

The Company's marketable securities consist of U.S. treasury notes which are classified as available-for-sale and are reported at fair value. Unrealized gains and losses on available-for-sale debt securities are reported as a component of accumulated other comprehensive loss in stockholders' equity (deficit). Realized gains and losses are based on the specific identification method and are included as a component of other income (expense), net in the consolidated statements of operations and comprehensive loss.

The Company evaluates its marketable securities with unrealized losses for other-than-temporary impairment. When assessing marketable securities for other-than-temporary declines in value, the Company considers such factors as, among other things, how significant the decline in value is as a percentage of the original cost, how long the market value of the investment has been less than its original cost, the Company's ability and intent to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value, and market conditions in general. If any adjustment to fair value reflects a decline in the value of the investment that the Company considers to be "other than temporary," the Company reduces the investment to fair value through a charge to the statement of operations and comprehensive loss. No such adjustments were necessary during the periods presented.

Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1: Fair values are determined utilizing prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2: Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

For certain financial instruments, including cash and cash equivalents, prepaid expenses, accounts payable, as well as certain accrued liabilities, the recorded amount approximates estimated fair value due to their relatively short maturity period.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs that do not improve or extend the life of the assets are expensed when incurred.

The estimated useful lives of the Company's property and equipment are as follows:

Laboratory and computer equipment	5 years
Furniture and fixtures	3 years

Deferred Offering Costs

The Company capitalizes within other long-term assets certain legal, accounting, and other third-party fees that are directly related to the Company's in-process equity financings, until such financings are consummated. After consummation of the equity financing, these costs are recorded as a reduction of the proceeds received as a result of the offering. Should a planned equity financing be abandoned, terminated, or significantly delayed, the deferred offering costs are immediately written off to operating expenses. As of December 31, 2023, deferred offering costs of $0.4 million were recorded within other assets on the consolidated balance sheets. Subsequent to the completion of the IPO in May 2022, deferred offering costs totaling $4.1 million were recorded within stockholders' equity (deficit) as a reduction of additional paid-in-capital generated from the IPO.

Leases

Effective January 1, 2022, the Company adopted ASU 2016-02, Leases (Topic 842), or ASC 842. Under ASC 842, at the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances presented in the arrangement, including whether the Company controls the use of identified assets. The Company classifies leases with a term greater than one year as either operating or finance leases at the lease commencement date and records a right-of-use assets and current and non-current lease liabilities, as applicable on the balance sheet. The Company has elected not to recognize on the balance sheet leases with terms of one year or less, but payments are recognized as expense on a straight-line basis over the lease term. If a lease includes options to extend the lease term, the Company does not assume the option will be exercised in its initial lease term assessment unless there is reasonable certainty that the Company will renew based on an assessment of economic factors present as of the lease commencement date. The Company monitors its plans to renew its material lease each reporting period. If a lease includes provisions for leasehold improvements for which the Company has an obligation to pay, the Company determines if the improvements should be considered lessor or lessee assets. If the improvements are considered lessor assets, the Company records the payments in the calculation of the lease liability and corresponding right-of-use asset.

Lease liabilities and the corresponding right-of-use assets are recorded based on the present value of lease payments over the remaining lease term. The present value of future lease payments are discounted using the interest rate implicit in lease contracts if that rate is readily determinable; otherwise the Company utilizes information available at the commencement of the lease to calculate the incremental borrowing rate, or IBR, which reflects the fixed rate at which the Company could borrow on a collateralized basis over a similar term, the amount of the lease payments in a similar economic environment. In order to determine the appropriate incremental borrowing rate, the Company used available third-party information, including comparable company collateralized borrowing information. After lease commencement and the establishment of a right-to-use asset and operating lease liability, lease expense is recorded on a straight-line basis over the lease term.

The Company enters into contracts that contain both lease and non-lease components. Non-lease components include costs that do not provide a right-to-use a leased asset but instead provide a service, such as maintenance costs. The Company has elected to account for the lease and non-lease components together as a single component for all classes of underlying assets. Variable costs associated with the lease, such as maintenance and utilities, are not included in the measurement of right-to-use assets and lease liabilities but rather are expensed when the events determining the amount of variable consideration to be paid have occurred.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset or asset group to the estimated undiscounted future cash flows expected to be generated by the asset or asset group.

If the carrying amount of an asset or asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset or asset group exceeds the estimated discounted future cash flows of the asset or asset group. There have been no such impairments of long-lived assets for the years ended December 31, 2023 and 2022.

Commitment and Contingencies

The Company recognizes a liability with regard to loss contingencies when it believes it is probable a liability has been incurred, and the amount can be reasonably estimated. If some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, the Company accrues that amount. When no amount within the range is a better estimate than any other amount the Company accrues the minimum amount in the range. The Company has not recorded any such liabilities as of December 31, 2023 and 2022 that were material to the consolidated financial statements.

Convertible Preferred Stock

The Company recorded convertible preferred stock at fair value on the dates of issuance, net of issuance costs. Upon the occurrence of certain events that are outside the Company's control, including a deemed liquidation event, holders of the convertible preferred stock could cause redemption for cash. Therefore, convertible preferred stock was classified outside of stockholders' deficit on the consolidated balance sheets as events triggering the liquidation preferences are not solely within the Company's control. No accretion was recognized as the contingent events that could give rise to redemption were not deemed probable. Upon completion of the IPO, all preferred stock was converted to common stock and as such no amounts were issued or outstanding as of December 31, 2023 and 2022.

Preferred Stock Warrants

The Company classified warrants to purchase its Series A-2 convertible preferred stock as a liability on the consolidated balance sheets as these warrants were freestanding financial instruments that could have required the Company to transfer assets upon exercise.

Research and Development

Research and development costs are expensed as incurred. Research and development costs consist of salaries, benefits, and other personnel-related costs, including stock-based compensation, laboratory supplies, process development costs, fees paid to other entities to conduct certain research and development activities on the Company's behalf, including contract manufacturing organizations and contract research organizations, and allocated facility and other related costs. Non-refundable advance payments for goods or services that will be used or rendered for future research and development activities are deferred and capitalized as prepaid expenses until the related goods are delivered or services are performed. During the year-ended December 31, 2022, the Company received £3.4 million (approximately $4.1 million) relating to its 2021 U.K. research and development tax credit for research and development activities undertaken by its U.K. subsidiary. As of December 31, 2023 and 2022, no research and development tax credits were recorded in other receivables on the consolidated balance sheets, respectively.

The Company records accrued liabilities for estimated costs of research and development activities conducted by third-party service providers. The Company accrues for these costs based on factors such as estimates of the work completed and in accordance with agreements established with its third-party service providers under the service agreements. The Company makes significant judgments and estimates in determining the accrued liabilities balance in each reporting period. As actual costs become known, the Company adjusts its accrued liabilities. The historical accrual estimates made by the Company have not been materially different from the actual costs.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with ASC Topic 718, *Compensation-Stock Compensation*, or ASC 718. ASC 718 requires all stock-based payments to employees, non-employees and directors, to be recognized as expense in the consolidated statements of operations based on their grant date fair values. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model, or Black-Scholes, for stock option grants to employees, non-employees and directors. The fair value of the Company's common stock is used to determine the fair value of restricted stock awards.

The Company's stock-based compensation awards are generally subject to service-based vesting conditions. Compensation expense related to awards to employees, non-employees and directors with service-based vesting conditions is recognized on a straight-line basis based on the grant date fair value over the associated service period of the award, which is generally the vesting term.

Black-Scholes requires inputs based on certain subjective assumptions, including (i) the expected stock price volatility, (ii) the expected term of the award, (iii) the risk-free interest rate and (iv) expected dividends. The Company determines the expected volatility using the historical volatility of a peer group of comparable publicly traded companies with product candidates in similar stages of development to the Company's product candidates. The Company uses the simplified method as prescribed by the SEC Staff Accounting Bulletin No. 107, Share-Based Payment, to calculate the expected term for stock options granted to employees, non-employees and directors whereby, the expected term equals the arithmetic average of the vesting term and the original contractual term of the stock options due to its lack of sufficient historical data. The risk-free interest rate is based on U.S. Treasury securities with a maturity date commensurate with the expected term of the associated award. The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on its common stock. The Company recognizes forfeitures as they occur.

Prior to the Company's IPO, there was no public market for its common stock, and consequently, the estimated fair value of its common stock was determined by the board of directors as of the date of each stock option grant, with input from management, considering third-party valuations of its common stock as well as its board of directors' assessment of additional objective and subjective factors that it believed were relevant and which may have changed from the date of the most recent third-party valuation through the date of the grant. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation* , or Practice Aid. The Practice Aid identifies various available methods for allocating the enterprise value across classes of series of capital stock in determining the fair value of the Company's common stock at each valuation date.

Subsequent to the Company’s IPO, the fair value of the common stock underlying the stock-based awards is the closing price of the Company’s common stock on the date of grant.

The Company classifies stock-based compensation expense in its consolidated statements of operations in the same manner in which the award recipient’s payroll costs are classified or in which the award recipient’s service payments are classified.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts or existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period of enactment. The Company records a valuation allowance to reduce deferred tax assets to an amount for which realization is more likely than not.

The Company recognizes the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained upon examination by the tax authorities, based on the merits of the position. The Company’s policy is to recognize interest and penalties related to the underpayment of income taxes as a component of income tax expense or benefit. To date, there have been no interest or penalties charged in relation to the unrecognized tax benefits.

Comprehensive Loss

Comprehensive loss is composed of two components — net loss and other comprehensive loss. Other comprehensive loss refers to gains and losses that under U.S. GAAP are recorded as an element of stockholders’ equity but are excluded from net loss. The Company’s other comprehensive loss consists of foreign currency translation adjustments and unrealized gains and losses on available-for-sale marketable debt securities.

Net Loss Per Share

Basic net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period, without consideration of potential dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the sum of the weighted average number of common shares plus the potential dilutive effects of potential dilutive securities outstanding during the period.

Potential dilutive securities are excluded from diluted earnings or loss per share if the effect of such inclusion is anti-dilutive. The Company’s potentially dilutive securities include unvested common stock under the Company’s equity incentive plan which have been excluded from the computation of diluted net loss per share as they would be anti-dilutive to the net loss per share. For all periods presented, there is no difference in the number of shares used to calculate basic and diluted shares outstanding due to the Company’s net loss position.

The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because their inclusion would be anti-dilutive:

	As of December 31,	
	2023	2022
Options to purchase common stock	4,233,203	3,341,834
Total	4,233,203	3,341,834

Emerging Growth Company Status

The Company is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act, or JOBS Act, and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. The Company may take advantage of these exemptions until the Company is no longer an “emerging growth company.” Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected to use the extended transition period for complying with new or revised accounting standards and as a result of this election, its consolidated financial statements may not be comparable to companies that comply with public company effective dates. The Company may take advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of the IPO or such earlier time that it is no longer an “emerging growth company.” As a result of the Company having elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act, 2016-13 and ASU 2019-11 are effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.

Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB or other standard-setting bodies that the Company adopts as of the specified effective date. The Company qualifies as an "emerging growth company" as defined in the JOBS Act of 2012 and has elected not to "opt out" of the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and non-public companies, the Company can adopt the new or revised standard at the time non-public companies adopt the new or revised standard and can do so until such time that the Company either (i) irrevocably elects to "opt out" of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for non-public companies. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its consolidated financial statements and disclosures.

Effective January 1, 2022, the Company adopted ASC 842. Upon commencement of the Company's lease in December 2022, the Company recognized lease liabilities totaling $24.5 million and right-of-use assets totaling $26.5 million.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, or ASU 2016-13. The standard changes how entities will measure credit losses for most financial assets, including accounts and notes receivables. The standard will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The effective date of this update is for fiscal years beginning after December 15, 2022, and interim periods therein. The Company adopted ASU 2016-13 effective January 1, 2023, with no material impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740), or ASU 2019-12. The standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and also improves consistent application by clarifying and amending existing guidance. The standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company adopted ASU 2019-12 effective January 1, 2023, with no material impact on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvement to Income Tax Disclosures, or ASU 2023-07, to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption and retrospective application is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, or ASU 2023-07, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for the Company beginning the year ended May 31, 2025. The Company is currently evaluating the impact of this ASU 2023-07 on its consolidated financial statements and related disclosures.

3. Fair Value Measurements

The following table sets forth marketable securities for the year ended December 31, 2023 (in thousands). The Company did not hold any marketable securities during the year ended December 31, 2022.

	As of December 31, 2023			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Total**
U.S. Treasury-backed money market funds	29,622	11	—	29,633
Total	$ 29,622	$ 11	$ —	$ 29,633

The following table set forth the fair value of the Company's financial assets measured at fair value on a recurring basis and indicates the level within the fair value hierarchy utilized to determine such values (in thousands):

	As of December 31, 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash Equivalents:				
U.S. Treasury-backed money market funds	$ 64,397	$ 64,397	—	—
U.S. Treasury notes	$ 11,980	$ 11,980	—	—
Marketable Securities:				
U.S. Treasury notes	$ 29,633	$ 29,633	—	—
Total	$ 106,010	$ 106,010	$ —	$ —

	As of December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**
U.S. Treasury-backed money market funds	$ 18,645	$ 18,645	—	—
Total	$ 18,645	$ 18,645	$ —	$ —

Money market funds are highly liquid investments that are valued based on quoted market prices in active markets, which represent a Level 1 measurement within the fair value hierarchy. These money market funds are classified on the balance sheet under cash and cash equivalents.

Preferred Stock Warrant Liability

In connection with the November 24, 2020 Stock Purchase Agreement (see Note 9), the Company granted warrants to purchase up to 35,529 shares of Series A-2 convertible preferred stock at a price per share equal to $11.42 and with a term ending upon the earlier of an underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, the consummation of a Deemed Liquidation Event, as such term is defined in the Company's Restated Certificate of Incorporation, or 10 years. As the warrants were for preferred stock, which did not qualify for equity classification, the warrants were recorded as a liability and were required to be remeasured to fair value at each reporting date. The warrants were exercised on May 4, 2022, just prior to the completion of the IPO, for proceeds of $0.4 million. Immediately prior to the consummation of the IPO, the warrants were converted into 34,901 shares of the Company's common stock.

As there are several inputs that are not observable in the market, the warrant valuation represented a Level 3 measurement within the fair value hierarchy. The Company's valuation of the preferred stock warrants utilized the Black-Scholes option-pricing model, which incorporates assumptions and estimates to value the preferred stock warrants.

The quantitative elements associated with the Company's Level 3 inputs impacting the fair value measurement of the preferred stock warrant liability included the fair value per share of the underlying Series A-2 convertible preferred stock, the remaining contractual term of the warrants, risk-free interest rate, expected dividend yield and expected volatility of the price of the underlying preferred stock. The most significant assumption in the Black-Scholes option-pricing model impacting the fair value of the preferred stock warrants was the fair value of the Company's Series A-2 convertible preferred stock as of each remeasurement date. The Company determined the fair value per share of the underlying preferred stock by taking into consideration its most recent sales of its convertible preferred stock. The Company historically had been a private company and lacked company-specific historical and implied volatility information of its stock. Therefore, it estimated its expected stock volatility based on the historical volatility of publicly traded peer companies for a term equal to the remaining contractual term of the warrants. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. The Company had estimated a 0% dividend yield based on the expected dividend yield and the fact that the Company has never paid or declared dividends.

The Company recognized changes in the fair value of the warrant liability as a component of other income (expense) in its consolidated statements of operations and comprehensive loss.

A reconciliation of the Level 3 warrant liability through exercise in the second quarter of 2022 was as follows (in thousands):

	Series A-2 Preferred Stock Warrant Liability
Balance as of December 31, 2021	$ 226
Change in fair value	(58)
Exercise of preferred stock warrants	(168)
Balance as of December 31, 2022	$ —

4. Property and Equipment, Net

The cost and accumulated depreciation of property and equipment were as follows (in thousands):

	December 31, 2023	December 31, 2022
Lab equipment	$ 4,821	$ 2,424
Computer and office equipment	1,446	171
Construction in process	69	1,129
Total property and equipment	6,336	3,724
Less accumulated depreciation	(1,572)	(389)
Total property and equipment, net	$ 4,764	$ 3,335

Depreciation expense was $1.2 million and $0.5 million for the years ended December 31, 2023 and 2022, respectively.

5. Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	December 31, 2023	December 31, 2022
Research and development	$ 9,521	$ 4,840
Employee-related expenses	2,368	2,440
Taxes payable	—	2,574
Professional services	715	932
Other	918	1,127
Total accrued expenses	$ 13,522	$ 11,913

6. Leases

In December 2021, the Company entered into a non-cancellable operating lease agreement, or the Harrison Lease, pursuant to which the Company leases 31,668 square feet of office and laboratory space located in Boston, Massachusetts, or the Premises. The Harrison Lease commenced for accounting purposes when the Company gained access to the Premises on December 29, 2022, or the Lease Commencement Date. The Harrison Lease has a term of nine years and two months from the Lease Commencement Date. The Company's obligation for the payment of base rent for the Premises began in May 2023, and is $0.2 million per month, increasing up to $0.3 million per month during the term of the Lease. The Company has one option to extend the term of the Harrison Lease, for a period of an additional five years. Due to the timing of the Lease Commencement Date at the end of 2022, there was no fixed lease rent expense associated with the Harrison Lease in 2022. At December 31, 2023, the Harrison Lease was the only lease for which the Company recorded a lease liability and corresponding right-of-use asset.

The landlord completed significant leasehold improvements to the Premises, a portion of which the Company was obligated to pay per the terms of the Harrison Lease. The Company paid $2.0 million for the improvements prior to lease commencement in 2022, and paid $3.4 million for the improvements in 2023, for total payments to the landlord for improvements of $5.4 million. The Company determined that the landlord is the accounting owner of the improvements, and payments by the Company for the improvements are included in the calculation of the right-of-use asset and lease liability.

During 2022 and the first quarter of 2023, the Company leased office space in Cambridge, Massachusetts, the terms of which were month-to-month, with a 30-day written notice of cancellation. The Company terminated this lease in January 2023. The Company also leased laboratory space at the University of Massachusetts, Mount Ida Campus in Newton, Massachusetts, with an initial lease term from February 1, 2022 to January 31, 2023, which the Company extended until March 2023. The Company also leased space at Innovation Building, University of Oxford in Oxford, U.K. The Company terminated its lease in Oxford in July 2022. All of these leases had initial terms of under 12 months and are considered short-term lease costs and are not recognized on the consolidated balance sheets.

Summary of Lease Costs

The components of lease cost under ASC 842 for the leases were as follows (in thousands):

	2023	2022
Fixed lease cost	$ 3,799	$ —
Variable lease cost	993	—
Short-term lease cost	188	1,294
Total lease cost	$ 4,980	$ 1,294

Supplemental disclosure of cash flow information under ASC 842 for the leases was as follows (in thousands):

	December 31, 2023
Operating cash payments for operating leases	$ 5,299

Cash payments for operating leases during 2023 related to tenant improvements of $3.4 million and $1.9 million in rent payments in line with the Harrison Lease. Additionally, the Company made payments on variable lease costs throughout the year of $1.0 million. These payments related to parking, management fees, and other costs associated with maintaining our office and lab space.

The remaining lease term for the Harrison Lease is 8.4 years, and the discount rate is 8.0%.

Future minimum lease payments under the non-cancelable operating lease consisted of the following as of December 31, 2023:

Year Ending December 31,	(in thousands)
2024	$ 3,004
2025	3,094
2026	3,187
2027	3,282
2028	3,381
Thereafter	12,079
Total future minimum lease payments	$ 28,027
Less: imputed interest	(7,923)
Present value of lease liability	$ 20,104

Included in the consolidated balance sheet (in thousands)	December 31, 2023
Lease liability	$ 3,004
Lease liability, net of current portion	17,100
Total lease liability	$ 20,104

7. Related Party Transactions

Technology License Agreement with Oxford University Innovation Limited

In March 2018, the Company, Oxford University Innovation Limited, or OUI, and the Medical Research Council of United Kingdom Research and Innovation, or MRC (or collectively the Licensors), entered into a license of technology agreement, or the License Agreement, which was subsequently amended in December 2018 and further amended and restated in November 2020. The Licensors and affiliates held shares of Series A-1 and Series A-2 preferred stock, Series B preferred stock and Class A common stock. The License Agreement provides the Company with an exclusive world-wide license to licensed data and technology owned by OUI and MRC in respect of CPP for treatment of Duchenne muscular dystrophy, spinal muscular atrophy, and other conditions. The License Agreement provides the Company with the rights to grant and authorize sublicenses to make, use, sell, and import products and otherwise exploit the patent rights.

As consideration for the license, the Company made an initial upfront payment in 2018, as well as a Restatement Completion Fee and a License Data Fee in 2020 totaling $0.1 million.

The Company could be required to make milestone payments to the Licensors upon achievement of certain patent and commercial milestones related to the patents and commercialization of certain of the Company's product candidates. The aggregate potential milestone payments are $0.1 million. The Company also agreed to pay the Licensors low single digit royalties on net sales of any licensed products that are commercialized by the Company in excess of a threshold amount between £20 million and £30 million ($25.5 million and $38.2 million as of December 31, 2023), subject to certain adjustments. The term of the License Agreement continues until the later of (i) the date on which all the patents and patent applications covered thereunder have been abandoned or allowed to lapse or expired or been rejected or revoked or (ii) 20 years from the date of the original agreement.
Upon completion of the IPO, the Company became obligated to pay OUI an exit fee between 0.5% to 2% of the value determined in an acquisition or initial public offering, not to exceed £5 million ($6.2 million as of the IPO date). The exit fee due to OUI, based on the proceeds of the IPO, was $1.4 million, which was paid during the second quarter of 2022 and included in research and development expense on the consolidated statement of operations. One member of the Company's board of directors is also employed by Oxford Science Enterprises, which is an affiliate by OUI.

Additionally, the Company paid office space rent to OUI. For the years ended December 31, 2023 and 2022, total rent payments were nil and $0.2 million, respectively. The Company paid $0.1 million during the years ended December 31, 2023 and 2022 to Oxford Science Enterprises as compensation for their board seat. As of December 31, 2023 and 2022, nil was due to OUI by the Company.

Services Agreement with RA Capital Management, L.P.

In November 2020, the Company entered into an agreement, or the Services Agreement, with Carnot Pharma, LLC, or Carnot, under which Carnot provided research and other services to the Company. Carnot is an entity controlled by RA Capital Management, L.P. Entities affiliated with RA Capital Management, L.P. purchased shares of Series A-2 convertible preferred stock in the Company's preferred stock financing in November 2020 and May and July 2021. In addition, entities affiliated with RA Capital Management, L.P. purchased shares of the Company's Series B convertible preferred stock in the Company's preferred stock financing in July 2021. Two members of the Company's board of directors are also affiliated with RA Capital Management, L.P.

Under the terms of the Services Agreement, the Company compensated Carnot on a fully burdened cost basis for personal time devoted to Company projects. In addition, the Company reimbursed Carnot on a costs basis for any subcontractor costs incurred. The Company paid Carnot on a quarterly basis, in arrears, for services performed and costs incurred. The Services Agreement was terminated in April 2022.

Expenses incurred by the Company under the Services Agreement with Carnot for the year ended December 31, 2023 and 2022, totaled nil and $0.1 million, respectively. Additionally, the Company paid $0.1 million during the years ended December 31, 2023 and 2022 to RA Capital Management, L.P. as compensation for their board seat. As of December 31, 2023 and 2022, nil was due to Carnot by the Company for services rendered under the Services Agreement.

8. Commitments and Contingencies

Legal proceedings

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and that such expenditures can be reasonably estimated.

The Company is not party to any litigation and does not have contingency reserves established for any litigation liabilities.

Other

The Company enters into standard indemnification agreements in the ordinary course of business. Pursuant to the agreements, the Company agrees to indemnify, hold harmless, and to reimburse the indemnified party for losses suffered or incurred by the indemnified party, including in connection with any U.S. patent or any copyright or other intellectual property infringement claim by any third-party with respect to the Company's products. Further, the Company indemnifies its directors and officers who are, or were, serving at the Company's request in such capacities. The Company's maximum exposure under these arrangements is unknown as of December 31, 2023. The Company does not anticipate recognizing any significant losses relating to these arrangements. The term of these indemnification agreements is generally perpetual any time after execution of the agreement. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements may be unlimited. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements.

9. Convertible Preferred Stock and Stockholders' Equity

Reverse Stock Split

On April 29, 2022, the Company filed a charter amendment to affect a 1.018 for 1 reverse stock split of its issued and outstanding shares of common stock, which resulted in a proportional adjustment to the existing conversion ratios for each series of the Company's preferred stock. Accordingly, all share and per share amounts for all periods presented in the accompanying consolidated financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this reverse stock split and adjustment of the preferred stock conversion ratios.

Series A-1 Convertible Preferred Stock and Series A-2 Convertible Preferred Stock

In connection with the November 24, 2020 Stock Purchase Agreement, the Company agreed to issue an aggregate of 3,939,069 shares of Series A-2 convertible preferred stock to new and existing investors at a price of $11.42 per share, in three closings, and elected to convert 1,348,693 shares of outstanding Class A and Class B common stock into 1,372,970 shares of Series A-1 convertible preferred stock. A total of 1,033,117 shares of Class A common stock held by certain founding investors and employees were not modified and continued to exist as Class A common stock. The Series A-1 and Series A-2 convertible preferred stock was converted to common stock immediately prior to the consummation of the IPO in May 2022 (see Note 1).

Series B Convertible Preferred Stock

In July 2021 the Company entered into the Series B Stock Purchase Agreement, whereby the Company agreed to issue and sold an aggregate of 7,234,766 shares of Series B convertible stock to new and existing investors at a per share price of $15.55 per share for aggregate gross proceeds of $112.5 million. The Series B convertible preferred stock was converted to common stock immediately prior to the consummation of the Company's IPO in May 2022 (see Note 1).

Common Stock

Under the Third Amended and Restated Certificate of Incorporation, dated May 10, 2022, the Company has the authority to issue a total of 500,000,000 shares of common stock (par value of $0.0001 per share) and 10,000,000 shares of undesignated preferred stock (par value of $0.0001 per share). In connection with the IPO, the Company re-designated all shares of Class A common stock as shares of common stock. Each share of common stock has the right to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No cash dividends have been declared by the board of directors during the year ended December 31, 2023 and December 31, 2022.

The Company has reserved the following shares of common stock for issuance, as follows:

	December 31,	
	2023	2022
Stock options issued and outstanding	4,233,203	3,341,834
Authorized for future stock awards or option grants	1,091,187	901,462
Authorized for future issuance under employee stock purchase plan	216,306	226,000
Total	5,540,696	4,469,296

Shares of Common Stock Subject to Repurchase

In November 2020, in connection with the Series A-2 convertible preferred stock financing, two founding stockholders entered into Stock Restriction Agreements, or Restriction Agreements, whereby 139,057 shares that were previously vested and not subject to repurchase became restricted and subject to repurchase. The repurchase rights lapsed as to 50% on the one-year anniversary of the Restriction Agreements and 50% on the second anniversary of the Restriction Agreements. Shares subject to repurchase by the Company are not deemed, for accounting purposes, to be outstanding until those shares vest and therefore are not included in the shares outstanding on the consolidated balance sheet.

In connection with the vesting restrictions placed on these previously vested shares, the Company was required to determine the measurement date fair value of the shares, which was $2.37 per share or $0.3 million in aggregate. The measurement date fair value of the restricted stock was recognized as stock-based compensation expense over the vesting period. As of December 31, 2023 and 2022, zero shares were subject to repurchase by the Company.

10. Stock-Based Compensation

The Company maintains three equity compensation plans; the 2020 Stock Plan, or the 2020 Plan, the 2022 Stock Option Incentive Plan, or the 2022 Plan, and the 2022 Employee Stock Purchase Plan, or the ESPP. As of the Company's IPO in May 2022, the Company's board of directors determined that no further awards would be made from the 2020 plan. The number of shares of common stock that may be issued under the 2022 Plan is subject to increase by the number of shares under any outstanding stock options forfeited and not exercised under the 2020 Plan. Additionally, the number of shares reserved for issuance under the 2022 Plan automatically increases on the first day of each fiscal year in an amount equal to the lower of (1) 5% of the shares of common stock outstanding on such date and (2) an amount determined by the Company's board of directors. The 2022 Plan allows the board of directors to grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards, and dividend equivalent rights to the Company's officers, employees, directors and other key persons. As of December 31, 2023, 1,091,187 shares remained available for grant under the 2022 Plan and 216,306 shares remained available for grant under the ESPP.

Stock Option Valuation

In determining the fair value of the stock options granted, the Company uses the Black-Scholes option-pricing model and assumptions discussed below. Each of these inputs is subjective and generally requires significant judgment.

Expected Term—The Company's expected term represents the period that the Company's stock-based awards are expected to be outstanding. For stock options with service-based vesting periods, the expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options.

Expected Volatility—The Company has historically been a private company and lacks significant company-specific historical and implied volatility information. The expected volatility is estimated based the average historical volatilities for comparable publicly traded biotechnology companies over a period equal to the expected term of the stock option grants. The comparable companies were chosen based on their similar size, stage in the life cycle and area of specialty. The Company will continue to apply this process until enough historical information regarding the volatility of its own stock price becomes available.

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of option.

Expected Dividend Yield—The Company has never paid dividends on its common stock and has no plans to pay dividends on its common stock. Therefore, the Company used an expected dividend yield of zero.

The fair value of stock options was estimated using the following weighted average assumptions:

	Year Ended December 31,	
	2023	2022
Risk-free interest rate %	4.19 %	2.95 %
Expected volatility %	65.13 %	71.68 %
Expected term (in years)	6.05	6.08
Expected dividend yield	—	—

Stock Option Activity

Stock option activity under the 2020 Plan and 2022 Plan, are as follows:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding as of December 31, 2022	3,341,834	$ 9.52	8.7	$ 12,877
Granted	1,421,936	13.70	—	—
Exercised	(100,351)	2.12	—	—
Canceled/Forfeited	(430,216)	12.13	—	—
Outstanding as of December 31, 2023	4,233,203	$ 10.83	8.4	$ 2,147
Vested and exercisable as of December 31, 2023	1,477,013	$ 8.87	7.9	$ 1,427
Vested and expected to vest as of December 31, 2023	4,233,203	$ 10.83	8.4	$ 2,147

The aggregate intrinsic value of stock options is calculated as the difference between the exercise prices of the stock options and the fair value of the Company's common stock for those stock options that had exercises prices lower than the fair value of the Company's common stock. The total intrinsic value of the stock options exercised during the years ended December 31, 2023 and 2022 was $1.4 million and $0.9 million, respectively. The intrinsic value is the difference between the estimated fair value of the Company’s common stock at the time of exercise and the exercise price of the stock option. During the years ended December 31, 2023 and 2022, the total proceeds to the Company from stock option exercises was $0.2 million and $0.2 million, respectively.

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2023 and 2022 was $8.56 and $7.66 per share, respectively.

Stock-Based Compensation Expense

Stock-based compensation expense recognized for stock option grants included in the accompanying consolidated statements of operations and comprehensive loss is as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Research and development	$ 2,966	$ 1,695
General and administrative	4,082	3,068
Total stock-based compensation expense	$ 7,048	$ 4,763

The Company had 4,233,203 vested and unvested stock options outstanding as of December 31, 2023. As of December 31, 2023, total unrecognized compensation expense related to stock options was $20.2 million. This amount is expected to be recognized over a weighted average period of approximately 2.49 years.

11. Income Taxes

The Company’s loss before income taxes for the years ended December 31, 2023 and 2022 were generated in the following jurisdictions (in thousands):

	Year Ended December 31,	
	2023	2022
Domestic	$ (78,195)	$ (96,781)
Foreign	(358)	31,383
Worldwide	$ (78,553)	$ (65,398)

The foreign income for the year-ended December 31, 2022 was due to the transfer of intellectual property, or IP, from PepGen Limited to the parent company, PepGen Inc., in an arm's length transaction at fair value pursuant to an asset transfer agreement.

The components of net deferred income taxes consisted of the following as of December 31, 2023 and 2022 (in thousands):

	December 31,	
	2023	2022
Deferred tax assets:		
Net operating loss carryforwards	$ 8,038	$ 474
Research and development credits	4,547	1,287
Accrued expenses	577	523
Capitalized Section 174 R&D Costs	29,470	11,818
Stock compensation	2,510	1,081
Right-of-use liability	5,485	5,760
Intangible asset amortization	7,425	6,879
Other, net	21	—
Deferred tax assets	58,073	27,822
Deferred tax liabilities		
Right-of-use-Asset	(6,444)	(6,233)
Fixed Assets	(1,474)	(45)
Other, net	—	(2)
Deferred tax liabilities	(7,918)	(6,280)
Net deferred tax assets	50,155	21,542
Valuation allowance	(50,155)	(21,542)
Net deferred tax assets	$ —	$ —

The components of income tax expense were as follows for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Current expense:		
U.S. Federal	$ —	$ —
State	73	23
Foreign	—	3,683
Total current expense	73	3,706
Deferred expense:		
U.S. Federal	—	—
State	—	—
Foreign	—	—
Total deferred expense	—	—
Provision for income taxes	$ 73	$ 3,706

A reconciliation of income tax expense to the amount computed by applying the statutory federal income tax rate to the loss from operations is summarized for the years ended December 31, 2023 and 2022, as follows:

	Year Ended December 31,	
	2023	2022
Tax at statutory rate	21.0 %	21.0 %
State tax (net of federal benefit)	(0.7)%	(0.0)%
Permanent differences	(0.4)%	(0.1)%
Research and development credit	3.2 %	1.6 %
GILTI Inclusion	0.0 %	(8.9)%
U.K. R&D credit	0.0 %	0.0 %
Foreign rate differential	0.0 %	(1.0)%
Change in valuation allowance	(23.9)%	(23.4)%
Other	0.0 %	5.0 %
Income tax expense (benefit)	(0.8)%	(5.8)%

The Company's income tax expense was $0.1 million for the year ended December 31, 2023 and $3.7 million for the year ended December 31, 2022. The income tax expense for the year ended December 31, 2023 was state taxes on interest income generated from the Company's cash equivalents and marketable securities. The income tax expense for the year ended December 31, 2022 was due to the IP transfer noted in the paragraph below.

On January 1, 2022, or the Transfer Date, the Company's wholly owned subsidiary, PepGen Limited, transferred all IP assets to the parent company, PepGen Inc., in an arm's length transaction at fair value pursuant to an asset transfer agreement. The fair value of the IP assets was a non-recurring fair value measurement. The Company engaged valuation specialists to calculate the IP value, and the IP value was measured using the historical cost method. The historical cost method estimated the fair value of the IP assets using the historical cost base of the IP assets and the expected market return as of the Transfer Date. The significant assumption inherent in estimating the fair value using the historical cost method was the expected market return. The Company utilized a 40% expected market return, which a third-party investor may expect as a return on their investment, and which is based on studies of venture capital investment returns. The Company calculated the fair value of the IP assets by computing the present value of the historical cost base using the 40% expected market return. The expected market return assumption used in the estimation of the IP assets represents a Level 3 input of the fair value hierarchy (see Note 3).

The Company has federal net operating losses, or NOLs of $23.4 million and federal research and development, or R&D, credits of approximately $4.9 million as of December 31, 2023, before consideration of limitations under Section 382 of the Internal Revenue Code, or Section 382, as further described below. The R&D credits will expire beginning in 2041. The Company has state NOLs of $36.6 million and state R&D credits of $1.3 million which begin expiring in 2042.

The future utilization of the Company's state NOLs and federal and state R&D credits to offset future taxable income may be subject to a substantial annual limitation as a result of changes in ownership by stockholders that hold 5% or more of the Company's common stock. An assessment of such ownership changes under Section 382 was not completed through December 31, 2023. To the extent that an assessment is completed in the future, the Company's ability to utilize tax attributes could be restricted on a year-by-year basis and certain attributes could expire before they are utilized. The Company will examine the impact of any potential ownership changes in the future.

The Company is subject to taxation in the U.S. and the U.K. The Company's federal and state returns since inception are subject to examination due to the carryover of NOLs. The Company has not been, nor is it currently, under examination by any tax authorities. The U.K. tax returns from 2018 and forward are subject to examination by the U.K. tax authorities.

The following table summarizes the reconciliation of the beginning and ending amount of total unrecognized tax benefits for each of the periods indicated:

	December 31,	
	2023	2022
Balance at beginning of the period	$ 673	$ —
Increase related to current year tax positions	—	751
Increase related to prior year tax positions	—	—
Decrease related to prior year tax positions	—	—
Currency translation	40	(78)
Balance at the end of the period	$ 713	$ 673

The Company does not expect the amount of unrecognized tax benefits to change significantly in the next twelve months. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. It had no accrual for interest or penalties on its consolidated balance sheets at December 31, 2023 or 2022. No interest and/or penalties were recognized in 2023 or 2022.

12. Subsequent Events

On February 5, 2024, the Company sold shares under the Sales Agreement, resulting in net proceeds of $9.9 million. On February 9, 2024, the Company sold shares in the Follow-on Offering, resulting in net proceeds of $76.9 million after deducting underwriters' fees of $3.2 million. Net proceeds from sales under the Sales Agreement and Follow-on Offering, after deducting underwriters' fees and before deducting costs of the offerings, were $86.8 million.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-264822, 333-270790 and 333-277708) on Form S-8 and No. 333-272378 on Form S-3 of our report dated March 6, 2024, with respect to the consolidated financial statements of PepGen Inc. and subsidiaries.

/s/ KPMG LLP

Phoenix, Arizona
March 29, 2024

EXHIBIT 31.3

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James McArthur, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of PepGen 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;

Date: March 29, 2024

By: /s/ James McArthur
James McArthur
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.4

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Noel Donnelly, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K of PepGen 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;

Date: March 29, 2024

By: /s/ Noel Donnelly
Noel Donnelly
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.3

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

In connection with this Amendment No. 1 to the Annual Report on Form 10-K of PepGen Inc. (the “Company”) for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2024

By: /s/ James McArthur
James McArthur
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.4

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

In connection with this Amendment No. 1 to the Annual Report on Form 10-K of PepGen Inc. (the "Company") for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to his knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 29, 2024	By:	/s/ Noel Donnelly
		Noel Donnelly
		Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)