

## The Growth of Allogene and the Biotechnology Startup Sector

By Karen Yang, J.D. Candidate 2021 | October 28, 2018

Biotechnology startup Allogene Therapeutics debuted earlier this month as one of the [largest startups](#) in the field to go public since 2009. The initial public offering started at \$18 per share, before surging over 30% on the first day of trading. At the midpoint of the target range of share prices, the firm commanded a market capitalization of \$2.1 billion. Allogene amassed a \$1 billion valuation after receiving over \$400 million in initial proceeds to fund CAR-T therapies, potential anti-cancer fighting agents.

CAR-T therapies use cells from healthy donors rather than patients' own cells. This means the cells do not have to be personalized for each patient and can instead be created in batches, leading to a cascade of effects—reduced costs and more readily available treatment for a greater number of patients. Robust results in earlier experiments point to a positive growth outlook for the company.

As is typical of many emerging biotechnology companies, Allogene has reported in its [SEC registration filing](#) that its product development is still speculative at this stage. The company is entailing significant upfront capital expenditure with the risk that future products will not reach an “acceptable safety profile, gain regulatory approval, and become commercially viable.”

Investing in newly public biotechnology startups has always been a risky venture for investors basing decisions off revenues and projected earnings, because many of these startups have little revenue and go public to raise additional funds for clinical trials. Despite the risks, investments are still flowing in rapidly. The [pace](#) of startup innovation is especially fast-moving today in the biotechnology industry—more biotechnology and healthcare startups have gone public this year than technology companies. The market is in a particularly bullish segment of the cycle for this industry, prompting the emergence of more companies.

Adding Allogene's IPO to the 41 other U.S. stock listings by other life science companies this year brings the total to [\\$4.3 billion raised](#). This is the highest amount since the excitement over gene therapies in 2000. As the results of previous years of investment and innovation lead to more developed curative therapies, venture capital money will flow in and pump life into biotechnology startups. Allogene is but one case in point for this burgeoning sector.

