A Work Project, presented as part of the requirements for the Award of a Master's degree in Finance from the Nova School of Business and Economics.

BETWEEN UTOPIA AND CHAOS: A COMPREHENSIVE ANALYSIS OF WEWORK'S CORPORATE JOURNEY

– Understanding WeWork's $47 Billion Valuation Dilemma and Path to Public Listing –

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Abstract

WeWork, once a formidable disruptor within the co-working and real estate sectors, boasting a valuation of $47 billion in 2019, faces a series of challenges that have substantially eroded its market capitalization and hindered its ability to continue as a going concern four years later.

Spanning a chronological timeline of thirteen years from its inception in 2010, the case follows WeWork's journey, encompassing investment rounds, transitions in leadership, and pivotal policy shifts. Thus, today, September 1, 2023, the aim is to explore the multifaceted factors that precipitated WeWork's decline, offering valuable insights into the complexities of its rise and fall.

Keywords (Bankruptcy, Corporate Governance, Entrepreneurial Finance, Entrepreneurial Strategy, Entrepreneurship, Financial Distress, Growth, Investments, IPOs, Management, Profitability, Real Estate, SPACs, Strategy, Valuation, Venture Capital)

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1. Introduction

As the clock struck eleven on a brisk September Friday night, Anna Smith, a seasoned analyst at Horizon Ventures, found herself buried in paperwork, her fingers flying across the keyboard as she frantically completed the final due diligence for a potential investment – a $500 million gamble on an ambitious startup called Flow. Flow, with the aim of creating a superior living environment that enhanced the life of residents through innovative technology and a focus on community, had already garnered significant attention, attracting a $350 million investment from Andreessen Horowitz just a year prior.

Anna's eyes darted across the presentation, scrutinizing every detail, every projection, every word. But as she delved deeper into the proposal, an unsettling thought began to form. The core concepts of Flow – Disrupt, Enhance, Revolutionize, Community – echoed strikingly with those of WeWork, Adam Neumann's previous venture. His entrepreneurial journey, from forays into children footwear to the revolutionary co-working space WeWork, had redefined the commercial real estate landscape. However, Neumann's meteoric rise was accompanied by a tumultuous reign as WeWork's CEO, marked by controversy and a dramatic exit.

Anna's mind raced as she grappled with the parallels between WeWork and Flow: should she alert management to the similarities between the two ventures? Was Flow simply another manifestation of Neumann's unwavering belief in innovation, but lack of ability to transform inspiration into profits? So, with renewed determination, Anna embarked on a quest to unravel the enigma of WeWork. Her journey, guided by a desire to understand, to question, and to ultimately contribute to the ongoing conversation surrounding the "*Neuman Effect*" and the pitfalls that metamorphosed WeWork into "*WeBroke*".

2. About WeWork: Transforming Workspaces and Empowering Communities

Founded in 2010 by Adam Neumann and Miguel McKelvey, WeWork emerged as a leading provider of flexible shared workspace solutions for businesses and individuals. With a pioneering vision, WeWork sought to revolutionize the traditional office space and real estate industry, by providing a diverse range of workspaces, from private offices to event venues.

In 2011, the company launched its first co-working space in the trendy SoHo neighborhood of New York City. Today, WeWork's global presence is undeniably remarkable, comprising an extensive network of 654 locations across 119 cities worldwide.

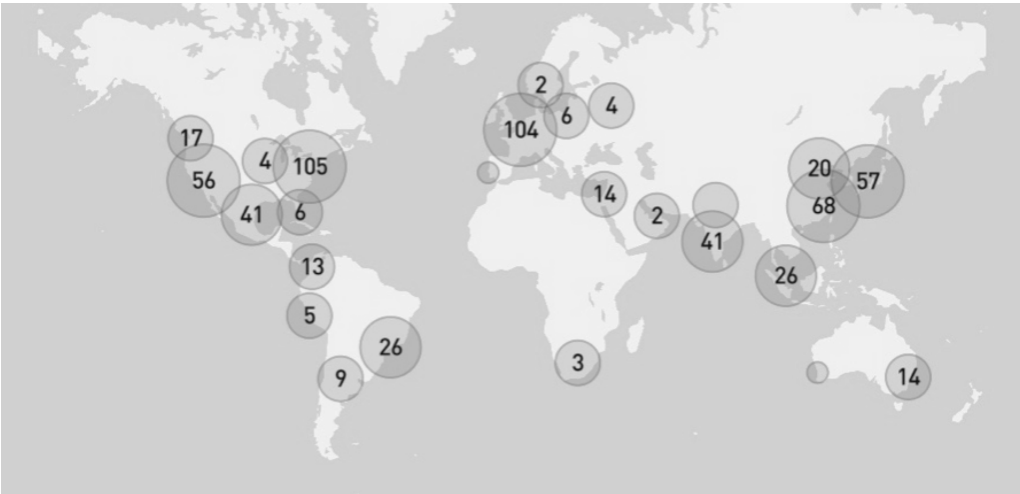

Exhibit 1. WeWork's Global Presence 2023 (Source: WeWork's Website)

2.1. WeWork's Mission, Vision and Values

WeWork's mission statement, "*Empowering tomorrow's world at work*" (WeWork, n.d.), encapsulates its vision of creating a global community, where collaboration thrives, innovation flourishes and the potential of every individual and organization is unlocked. The company's impact relies on purpose-drive leadership, aiming to make a positive and permanent difference in the life of its stakeholders. Moreover, its values emphasize doing the right thing, embracing entrepreneurship, valuing humanity, recognizing the significance of kindness, striving for unity, and incorporating the transformative power of gratitude.

2.2. WeWork's Business Model

WeWork's business model comprises the strategic combination of four core elements: i) flexible workspace rentals; ii) a diverse range of membership plans; iii) a community-driven environment; and iv) a seamless integration of technology services to elevate the user experience. The company prioritizes flexibility, allowing clients to liberate themselves from the commitment of conventional long-term leases.

Central to WeWork's strategy is the concept of "*Space-as-a-Service*", granting individuals and organizations the possibility to adjust their workspaces to suit their ever-evolving needs. This approach simplifies the complexities of traditional real estate leasing into a streamlined membership structure, while offering members a premium experience at a more competitive price point.

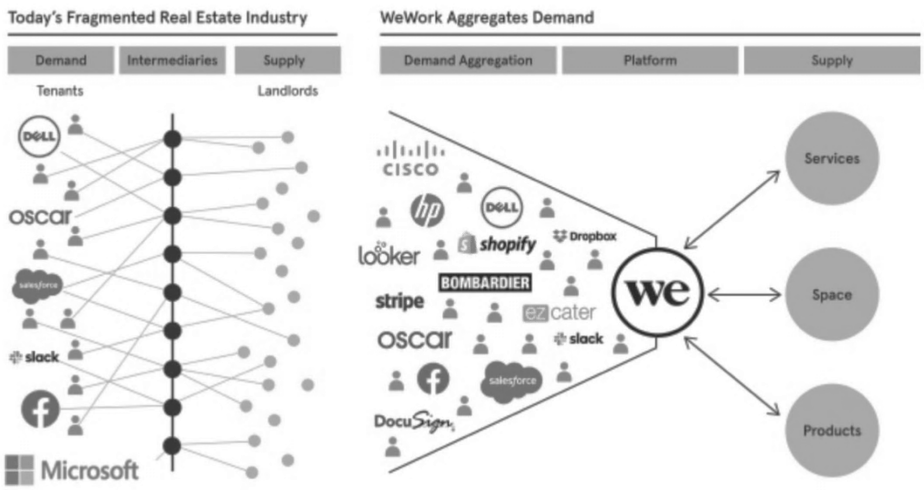

Exhibit 2. WeWork's Business Model Illustration (Source: WeWork's S-1 Filing)

The company provides a range of six membership tiers to cater the unique requirements of its customer base:

- ***All-Access.*** Tailored for individual professionals seeking the freedom to arrive at their convenience at one of the company's worldwide locations, select a desk and start working.

- ***On-Demand.*** Allows users to pay solely for the hours they utilize the space, whether on a daily or hourly basis, providing a greater control over the workspace usage and costs.
- ***Dedicated Desk.*** Ideal for those who value a consistent and predictable work setup, with dedicated desks exclusively leased to a single client or business entity, fostering a sense of stability.
- ***Small Private Offices.*** Designed to accommodate growing teams and enterprises of varying sizes, offering privacy, focus and a dedicated space for collaboration and productivity.
- ***Office Suites.*** Scalable in nature, provides larger and more personalized workspaces, catering to enterprises seeking a designated space that reflects their brand identity and facilitates seamless teamwork.
- ***Custom Full-Floor Offices.*** Allows groups to tailor their workspace to their exact specifications, incorporating features like CEO suites, executive meeting rooms, and specialized amenities that align with their unique business needs.

In July 2022, WeWork launched WeWork Workplace, a groundbreaking platform that extended beyond its established membership options to empower other landlords and operators to manage and optimize their flexible workspace portfolios. This solution provides owners with WeWork's extensive customer base and enables them to easily market and rent their spaces online. Moreover, it offers comprehensive utilization analytics, allowing landlords to gain valuable insights into space usage patterns and optimize their assets for maximum efficiency. WeWork Workplace marked a significant evolution in the company's commitment to foster dynamic and adaptable work environments, extending its expertise beyond its own workplaces.

2.3. WeWork’s Revenue Streams and Cost Structure

WeWork’s revenue streams are strategically centered on the monetization of its global platform, primarily achieved through the sale of memberships and the provision of ancillary value-added products and services to members. The company’s revenue is diversified across three key streams:

- ***Membership Revenue.*** Encompasses the fees generated from the sale of WeWork’s memberships. The company employs a rent arbitrage strategy, leasing properties from landlords at predetermined rates and subsequently subleasing them to clients at higher prices. Notably, these properties are transformed through interior refurbishments and the incorporation of amenities, including cafés, offices, and community spaces, enhancing their overall appeal. Additionally, the cost of each membership varies depending on the type of workplace, the geographic location and the monthly allowances included in the membership.
- ***Service Revenue.*** Comprises supplementary services provided to members, including partnerships with local businesses, access to conference rooms, printing, car rentals and IT services.
- ***Other revenue.*** Wherein WeWork offers on-site office management, including design, construction, and space management services.

WeWork’s financial sustainability relies heavily on the revenue generated from client’s memberships payments, being instrumental in offsetting the company’s considerable operational costs, which include the following components:

- ***Leasing costs.*** The company typically signs long-term leases with the property owners, where price may vary according to the location and market conditions.

- ***Building Improvement and Aesthetics.*** Central to WeWork's business model are the cost savings tenants realize by becoming members, as the build-out and refurbishment costs are entirely assumed by WeWork.
- ***Other costs.*** Include the daily operational expenses – such as utilities, maintenance and cleaning services –, marketing expenses and general administrative expenses – namely employees' salaries and benefits.

In the realm of business, the interplay between costs and revenues is intricate for every company. WeWork, with an average lease agreement extending over 15 years and tenant commitments typically lasting on average 15 months (Reiff, 2019), relies significantly on its ability to attract a substantial customer base to occupy available spaces to ensure financial sustainability.

2.4. WeWork's Growth strategy

Since its inception, WeWork has been pursuing a rapid global expansion in the co-working space industry, complemented by a series of strategic acquisitions and partnerships.

Expansion Strategy

In its early years, WeWork embarked on an ambitious plan to expand globally, fueled by venture capital funding. With the belief of "*the more locations we strategically cluster in a given city, the larger and more dynamic our community becomes*", the company aggressively leased office spaces in major cities around the globe, aiming to become the leading provider of flexible workspace solutions.

This rapid expansion led to significant financial scrutiny, as the company's performance was highly dependent on the continued members' growth and on the ability to secure new leases. In response, WeWork began to shift its expansion strategy towards a more cautious approach, prioritizing profitability over exponential growth, by improving occupancy rates and reducing costs, through the divestiture of its less profitable locations.

Acquisitions and Diversification

By broadening its offerings across different geographies and services, the company was able to cater to a wider range of customer needs and preferences, enabling it to remain competitive and adaptable in a rapidly evolving co-working industry.

Beyond traditional co-working spaces, WeWork gradually expanded to other segments of the market. In 2016, the company launched *WeLive*, a residential co-living concept aiming to provide a unique shared living experience. Additionally, it introduced *WeGrow*, an education and school initiative with the purpose of redefining and establishing a new model for conscious entrepreneurial education.

Furthermore, the company spent close to $1 billion in over 20 acquisitions, across verticals like Consumer Digital and Enterprise Tech. For instance, in 2017, it acquired Spacemob for $500 million, in an attempt to reaffirm the commitment to scaling its business across the Asian Market.

WeWork also pursued partnerships with property owners, developers and real estate firms to access a wide range of properties and locations without imposing a significant capital commitment. Moreover, the company partnered with local businesses, including restaurants and gyms, to extend exclusive discounts and perks to its members.

3. Macroeconomic Context

"It is an unusual period of volatility. We have new shocks layered on top of old shocks layered on top of longer-term disruptive trends. Inflation and low consumer confidence, for example, are layered on top of some overhangs from COVID-19 as well as trends like digital disruption and the sustainability imperative that we have been wrestling with for years." (Birshan, 2023).

In recent times, volatility and fluctuations stemming from macroeconomic and geopolitical elements have been undeniably shaping the business landscape and challenging management teams in unprecedented ways.

Reflecting on the past two years, the world confronted a multitude of formidable challenges. January 2022 was marked by the rapid spread of the Omicron variant of COVID-19, and supply chain disruptions persisted, leading to logistical difficulties amidst extraordinary demand.

In parallel, commodity prices increased by an astounding 30%, while global container shipping rates skyrocketed nearly tenfold and inland freight haul rates experienced similar growth. Labor market imbalances, particularly pronounced in the U.S. and the U.K., resulted in wage hikes surpassing pre-COVID-19 levels. During this period, inflation reached figures not seen in generations (McKinsey, 2023).

Still, there was a glimmer of optimism that the most acute repercussions of the pandemic had subsided. Nonetheless, in February of 2022, the optimism shifted into apprehension when Russia launched an invasion of Ukraine, a long-lasting geopolitical development that prompted a chain reaction and led to the most severe humanitarian crisis witnessed in Europe since World War II, further aggravated by a worldwide scarcity of food and energy resources.

Despite the ongoing obstacles, 2023 sees a shift in the scenery – energy prices have eased from their peaks, and signs of inflation stabilization emerge, partly due to continuous interest rate increases, all while economic growth showcases its resilience under lingering economic uncertainties.

Global economic growth is forecasted to moderate from 3.5% in the previous year to 3%. The former reduction is particularly pronounced in advanced economies, where growth is anticipated to decrease from 2.7% in 2022 to 1.5%, with the Euro area notably affected by the war-induced surge in gas prices (International Monetary Fund, 2023).

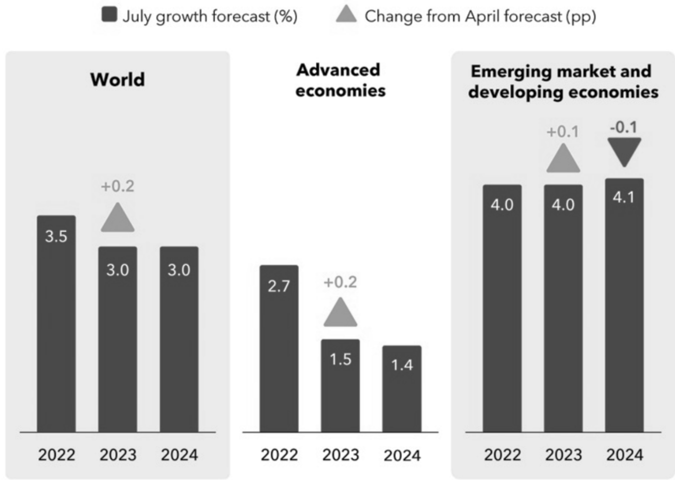

Exhibit 3. GDP % Growth Projections (Source: International Monetary Fund and World Economic Outlook)

Additionally, global economic activity is showing signs of losing momentum due to the tightening of monetary policy, which is impacting credit growth, and household and firm interest payments, collectively exerting downward pressure on investment activity, in particular on real estate markets. From July to September 2023, the U.S. commercial real estate sector witnessed a substantial contraction in investment volume, marking a 54% year-over-year decline to $82 billion. Also, the trailing third quarter volume ending registered a significant 57% year-over-year decrease, reaching $400 billion, the lowest total since the first quarter of 2021 (CBRE, 2023). Furthermore, core inflation, excluding energy and food prices, remains above central banks' targets and is expected to gradually decline from 6% in 2023 to 4.7% in 2024 (International Monetary Fund, 2023).

Notably, labor market dynamics play a relevant role in the persistence of inflation and, while unemployment rates remain below pre-COVID-19 levels in numerous economies, a decline in real wages is witnessed.

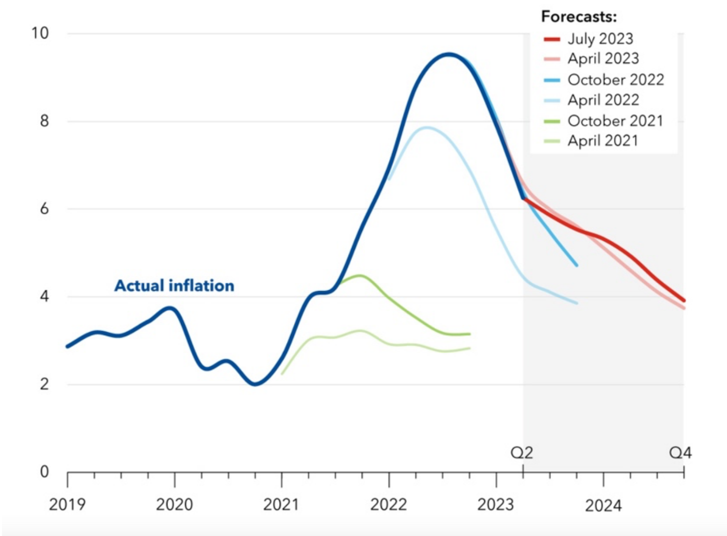

Exhibit 4. Actual and Forecasted Inflation (Source: International Monetary Fund and World Economic Outlook)

Moreover, the global economic challenges arising from geoeconomics fragmentation, with the global economy dividing into rival blocs, pose a particular risk to emerging and developing economies that rely on integrated global markets, foreign direct investment, and technology transfers. Plus, the insufficient progress on the climate transition is expected to affect poorer countries disproportionately, despite their relatively small contribution to global emissions.

As one gazes ahead to the present and the near future, it becomes evident that the macroeconomic outlook remains uncertain, with signs of recovery and growth in some regions, but the persistence of an unfavorable economic climate in others.

4. Industry Analysis

Co-working spaces have emerged as crucial enablers for collaboration and innovation. The shift in employee objectives and expectations represents a unique opportunity for organizational leaders to reimagine their workspaces for the future, and to provide a favorable environment for individuals and businesses to synergize their efforts.

The inception of co-working spaces, a concept with a history spanning several decades, finds its origins in Berlin, Germany, dating back to the year 1995. The pioneering co-working space known as C-Base emerged from the efforts of 17 computer engineers who envisioned a “*hackerspace*” (Mason, 2021). Conceived as a non-profit initiative, it was purposely designed to serve as a communal hub for computer enthusiasts and to provide essential facilities, relevant equipment, and a conducive environment fostering collaboration. But only four years later, in 1999, did Bernard DeKoven, an American game designer and writer, formally introduce the term “*Co-working*” to describe the collaborative work approach between individuals and the removal of hierarchical structures within professional settings.

The term eventually materialized in 2005, with the inauguration of an official co-working space in San Francisco, California, conceived by Brad Neuberg, with the dual aim of offering a dedicated environment for independent work and nurturing a community of like-minded professionals (Mason, 2021). Subsequently, a number of co-working spaces emerged around the globe, evolving from a specialized commercial real estate product, primarily focused on individuals and small start-ups, to a viable substitute for traditional leased office spaces. In this regard, the increasing number of startups and the demand for flexible office solutions have been crucial drivers of the co-working industry’s growth.

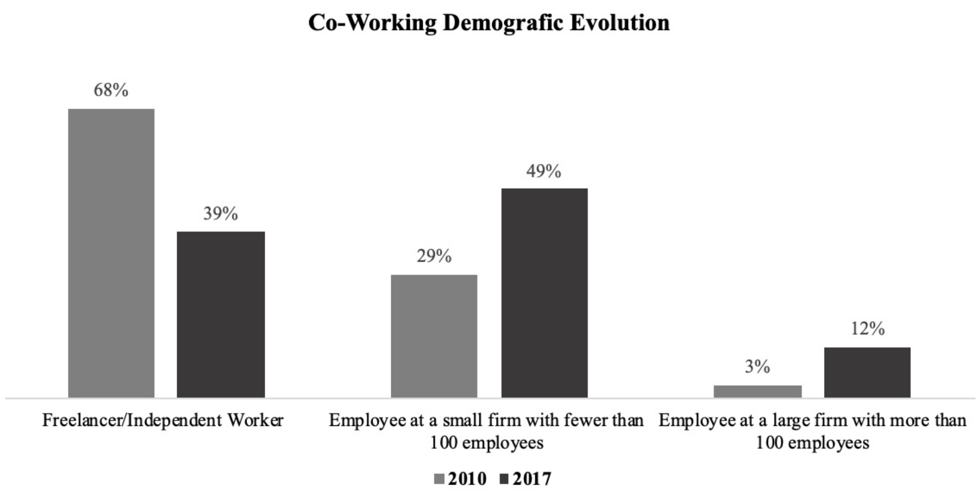

Exhibit 5. Co-Working Demographic Evolution between 2010 and 2017 (Source: Own illustration based on CBInsights, Emergent Research, Recode)

Testimony of this opportunity is the expected industry’s market size of $34.99 billion by 2027, compounded at a Compound Annual Growth Rate (CAGR) of 16.4%. The optimistic projection aligns with the proliferation of co-working spaces witnessed worldwide, which increased from 1,130 in 2011 to 18,900 in 2019, with the Asia-Pacific region leading the market. Moreover, in the U.S., co-working spaces are expected to represent 30% of the national office stock by 2030 (Business Research Company, 2023).

As noted, while the industry exhibited consistent growth, the global COVID-19 pandemic introduced significant challenges, which encompassed a notable reduction in the number of daily users and an average decrease of 20% in leasable desks (Foertsch, 2021). Nevertheless, amidst this demanding environment, certain co-working spaces demonstrated a remarkable ability to adapt, and, by strategically refining their offerings to harmonize with the evolving needs, emerged as even more indispensable in the post-pandemic reality.

As a result, compared with the original state, the co-working industry grew towards greater specialization, tailoring its offerings to cater to distinct demographic segments, through the provision of customized amenities. Additionally, co-working spaces have diversified their service portfolios, which now include areas like digital marketing, with the primary objective of both acquiring and retaining members.

Furthermore, the industry has recognized the significance of community well-being, as evidenced by the introduction of features specifically designed to enhance mental health, ranging from meditation or yoga rooms to fitness facilities. Concurrently, co-working spaces are actively embracing the hybrid work model, affording members the flexibility of adaptable work hours, remote work alternatives, and shorter lease terms. All the above reflect the industry metamorphosis from an office-centric to a human-centric paradigm.

5. The Narrative between Utopia and Chaos

5.1. From Green Desk to WeWork

In 2001, upon concluding his mandatory military service in Israel, Adam Neumann made his way to New York City, driven by an unwavering ambition to achieve financial success.

Already immersed in the development of a business concept focused on padded-knee baby clothes, known as *Krawlers*, Neumann's path intersected with that of Miguel McKelvey, who was working as an architect for a burgeoning company in the same building, situated in the Dumbo neighborhood of Brooklyn.

Soon enough, Adam and Miguel identified untapped potential within the edifice, realizing there was unused space and, after some persuasive efforts with the landlord, Adam successfully secured permission to lease small portions of the vacant floors to fellow entrepreneurs. This bold maneuver, coming from a struggling immigrant with no prior experience in real estate, was particularly audacious, especially considering Neumann's occasional tardiness with his own rent payments. Nevertheless, as McKelvey would later attest, Neumann possessed an *"endless faith in his ability to convince people to do things he wants them to do"* (Brown and Farrell, 2021).

In May 2008, the pair opened GreenDesk, an eco-friendly coworking space, featuring sustainable workspaces furnished with recycled items and powered by wind electricity. Customers of GreenDesk, called "*members*", could choose to rent office space or individual desks on a monthly basis, from $300 to $2,500. The cumulative rental income exceeded lease payments, thereby generating a profit. Almost immediately, the startup found success, even as the economic downturn from the 2007-2008 Global Financial Crisis placed strain on many businesses. The founders soon realized that the true strength and appeal of their concept relied not only in its environmentally sustainable, welcoming and affordable spaces, but also in the sense of community they provided – a place where individuals and startups could mingle and collaborate.

In the fall of 2009, Adam Neumann and Miguel McKelvey sold their company to their landlord, Josh Guttman, for $3 million, payable over several years. With $300,000 in cash from the sale and credit cards and loans from friends, they embarked on the ambitious endeavor of replicating their successful concept in SoHo. To facilitate this expansion, Neumann then sent "*complimentary*" invitations to his Israeli contacts, who, under the impression of a leisurely visit to the U.S., found themselves dedicating seven days a week to the construction build out (Konrad, 2014).

Going beyond a mere continuation of their previous venture, Adam aimed to create a space more expansive than the conventional co-working model typified by GreenDesk. The triumph in Dumbo not only confirmed the demand for communal office spaces, but also indicated a broader generational shift. Neumann and McKelvey recognized that the incoming millennial workforce sought social interaction in their professional settings. Rejecting the isolation of traditional offices, they envisioned workplaces that echoed the vibrancy of a college dorm or the convivial atmosphere of a club.

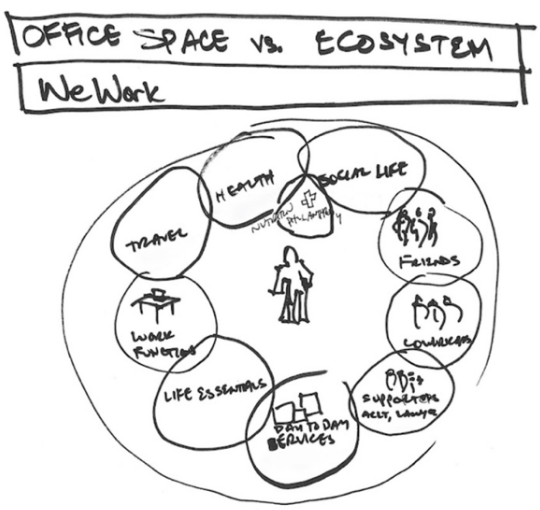

Exhibit 6. The vision for the WeWork ecosystem drawn by Miguel McKelvey in 2009 (Source: The Beginning of a New Story (Adam Neumann, 2019))

In April 2011, Adam and Miguel opened the doors to what would later become WeWork's first member community, at 154 Grand Street in New York City, heralding the beginning of a transformative journey.

5.2. The Ascent to Unicorn Status

Although detailed information regarding the specific individual investors participating in WeWork's Seed Round lacks, it is generally understood that the initial capital of $1 million (see Exhibit 9.), the catalyst for the company's operations and growth, primarily came from close acquaintances, family members, and early enthusiasts who shared a strong belief in WeWork's vision and concept. Among these contributors, names such as DAG Ventures, Joel Schreiber, and others have been frequently mentioned.

In January 2012, WeWork, "*the world's first physical social network*", raised $6.9 million in an Angel Round, as it prepared to open yet another space in New York and its first in Los Angeles. By year-end, the company had multiple locations and ambitious aspirations. "*We try to choose only 'we' investors. Not just anyone who offers us money— investors who have a 'we' mentality which means they care about the bigger picture… and think collaboration is the future of innovation*", said Neumann (2012). The new funds would be used to grow the company, develop new technology an*d "invest in some startups that are in our technology incubator. (…) All the money is for growth. It's for building community, building technology".* Nevertheless, when asked "how" or "why", he did not have an answer. However, the company's rapid growth and innovative approach to office space quickly garnered substantial attention, leading to subsequent rounds of private funding.

In the spanning period from 2012 through 2014, WeWork expanded its footprint to locations in Chicago, Portland, and overseas to London and the company's ascent continued with a $17 million Series A in July 2012, a $40 million Series B in May 2013, and a $150 million Series

C in February 2014, as per VC Experts and WeWork. Notably, Series A and B funding rounds were approximately twice the size of the average rounds during that timeframe, whereas the Series C round surpassed the average by over fivefold (Langevoort and Hillary, 2021).

The Series C round was particularly noteworthy, as it attracted the interest of Benchmark, a prominent venture capital fund in Silicon Valley, renowned for backing industry giants like eBay, Twitter and Uber. Despite Benchmark's lack of prior involvement in real estate ventures, the fund's leader visited New Work to personally assess WeWork's concept of distinctiveness in the shared office space landscape. Convinced by Neumann's vision, Benchmark valued WeWork at $1.5 billion, more than quadrupling its valuation from the beginning of 2013, surpassing the $1 billion threshold, and attaining the coveted "unicorn" status (Rao, 2023) – a testament to WeWork's transformative impact in the industry.

5.3. Adventurous Times and Attaining New Heights

During the same period, WeWork's youthful and unconventional culture gained increased visibility in the public eye and media. In 2012, the company introduced a unique practice, organizing retreats for entrepreneurs and employees at a summer camp in the Adirondacks, owned by Rebekah Paltrow Neumann's family, Adam's wife. The "*Summer Camps*" mirrored the vibrant and carefree atmosphere of the company, placing a strong emphasis on networking and community building, with an abundance of hookahs, vintage typewriters, beer-laden canoes, and a lack of cellphone service or Wi-Fi. In 2014, when further investments were being considered by Benchmark, the camp experience featured vodka, humorous declarations, and a distinct vibe compared to urban or upscale locations.

However, this unorthodox culture extended beyond the camps. Since its foundation, WeWork embraced a "*work hard, play hard*" culture. *"A lot of WeWork feels like a never-ending party",* remarked one former employee in 2019, pertaining to the second part of the ethos. Adam

Neumann was recognized for his barefoot office appearances, late-night 2:00 a.m. meetings, and advocacy for Don Julio tequila shots among employees. The company also provided unlimited free beer to both workers and tenants around the clock and maintained a relaxed stance towards marijuana at work. Weekends often involved dancing around fires in the woods, and Neumann even fitted his Manhattan office with an infrared sauna and a cold plunge pool. This exemplified the company's exuberant lifestyle and unrestrained "*hustle*" culture, transcending the boundaries between work and leisure.

In his own words, Adam was the embodiment of the core philosophy "*We Generation*" – a guiding principle that underpinned WeWork's fundamental ethos, dedicated to uniting people and nurturing an indescribable energy.

Despite the perceived "*adolescent antics*", WeWork continued to receive robust financial backing. Merely a few months following the publication of The New York Times article detailing the camp in 2014, WeWork successfully secured a substantial $355 million in a Series D funding round, in December of the same year. Although the company had not turned a profit yet, WeWork garnered an impressive valuation of $5 billion (Gellman and Brown, 2014). Noteworthy investors such as Goldman Sachs, J.P. Morgan, Wellington Management, and T. Rowe Price actively participated in this funding round, triggering media speculation about a potential initial public offering (IPO) in the ensuing years.

While Adam drew parallels between WeWork and companies like Uber and Airbnb, both operating in the "*sharing economy*" and platforms like Facebook or LinkedIn, WeWork's business model carried more inherent risk, with its sustainability reliant on densely occupied office spaces. During the Series D funding round, money was flowing freely, affording WeWork the means to cover rent. However, skeptics started to question whether the valuation was justified, hinting at the possibility of it being part of a burgeoning technology bubble. The critical question emerged: what would happen if *"the money dries up or – dare we say it – the bubble bursts?*" (Lapowsky, 2014).

As we delve into the subsequent developments, the bubble did eventually burst, but not before WeWork underwent several significant Series Rounds, characterized as "*late stage*".

By June 2015, WeWork's reach expanded further, securing a staggering $434 million in its Series E funding round, which propelled the company's valuation to an astonishing c. $10 billion (Kunthara, 2019). With over 23,000 customers paying memberships and offering desk rentals starting at an affordable $45 per month, WeWork was rapidly becoming the go-to destination for entrepreneurs, freelancers, and small businesses. By the end of the year, the company had nearly tripled in size compared to 2014, growing from roughly 16,000 to over 40,000 members and opening 40 new locations all over the world, including spaces in brand new markets, in addition to an expansion into Brooklyn in New York City.

Nonetheless, as WeWork underwent its expansion phase, an array of difficulties and concerns started to emerge, spanning internal corporate matters and broader issues pertaining to regulations and the legal landscape. In the same year, WeWork came into the public eye when the most prominent union representing building service workers in the U.S. filed an official complaint, citing unfair employment practices concerning office cleaners.

2016 also witnessed WeWork implementing significant staff reductions, affecting approximately 1,000 employees and a temporary hiring freeze. Notwithstanding, in October, the company embarked on its Series F round with a grand entrance, securing $690 million in investments from Hony Capital & Legend Holdings and attaining a valuation of $16.9 billion Kunthara, 2019). Additionally, in August 2017, SoftBank's Vision Fund bought $1.3 billion worth of the visionary unicorn's shares (Dimri, 2023).

5.4. SoftBank as a Growth Enabler

SoftBank Group Corporation played a focal role in WeWork's history due to its significant financial backing and involvement.

Established in September 1981 as SOFTBANK Corp. Japan (current SoftBank Group Corp.) in Tokyo by Masayoshi Son, the company's original objective was to be a software bank that would serve as the infrastructure of the new information society emerging in the country. Over time, the company diversified into various sectors, and in recent years, by operating as a prominent multinational investment holding company, it distinguished itself with a primary focus on investment management. The SoftBank Vision Fund, a venture capital fund founded in 2017 as a subsidiary of the SoftBank Group, stood as the world's largest technology-focused investment fund, boasting a staggering $100 billion in capital (León, 2019).

As WeWork captivated the world with its vision of transforming the office landscape, SoftBank's CEO and Chairman, Masayoshi Son, sensed an opportunity to shape the future of work. In August 2017, he embarked on the groundbreaking investment in WeWork, a saga that has become an iconic chapter in the world of technology. Neumann spent only twelve minutes with Son touring the company's headquarters before reaching an agreement on a $4.4 billion investment from the fund, marking one of the largest investments in a private technology company at the time. In fact, this Series G investment round valued WeWork at approximately $20 billion (Kunthara, 2019), making it the fourth-most valuable startup in the U.S., behind only Uber, Airbnb, and SpaceX, and resulting in SoftBank gaining a significant ownership stake in the company. Most of the investment, $3 billion, was directly allocated to the company, via primary and secondary shares, while the remaining $1.4 billion went towards the Asian market expansion. Fueled by the validation and financial backing of SoftBank, Neumann's already ambitious goals soared to new heights. He wanted to be the world's first trillionaire. He wanted to be president of the world (Chozick, 2019).

Early 2018, SoftBank Corp. reaffirmed its faith with an additional $1 billion investment in the unicorn through convertible notes, and later, in November, the company announced the investment of another $3 billion in two equally split tranches in the form of a warrant, which automatically would convert into stock in September, ultimately valuing WeWork at $42 billion (Ghosh, 2018).

Driven by what seemed like an insatiable appetite for Adam, and by extension WeWork, SoftBank invested a substantial $6 billion in January 2019, of which $5 billion represented primary growth capital and the remaining $1 billion constituted secondary capital, which was used to fund share purchases from investors and employees. This propelled WeWork's post-money valuation to $47 billion, positioning the company as "*the second-highest-valued private company on the planet*" (Brown and Farrell, 2021). The CEO, adamantly focused on the valuation as a testament to the company's success, whose magnitude was above numerous Fortune 500 companies like FedEx.

Articulating a vision of WeWork as "*a community, a company, a family*" transcending conventional office spaces, Adam envisioned that *"Next year, (...) (the valuation) would be $100 billion"* (Brown and Farrell, 2021), emphasizing a commitment to aggressive growth with annual doubling of revenue. Amid promises for expansion into Africa, the launch of a TV show, and a significant pledge to hiring military veterans, Adam Neumann (2019) emphasized a dedication to ethical business practices, asserting that "*if you do the right thing, you make the most money*".

However, concealed behind the optimistic narrative was a critical reality that eluded the predominantly young, idealistic workforce: the $1 billion infusion was insufficient to offset WeWork's substantial financial losses (see Exhibit 10., Exhibit 11., and Exhibit 12.). The ambitious growth came at considerable costs, placing the company in a precarious financial position, demanding a continuous influx of billions of dollars.

For a span of nine years, WeWork's investors, ranging from Silicon Valley venture capitalists to the Japanese conglomerate SoftBank, prioritized growth over financial prudence. As of that year, WeWork and its subsidiary entities had raised more than $10 billion in total commitments from SoftBank, with Son (2019) stating: *"WeWork is disrupting a multi-trillion-dollar industry with a technology platform that provides a complete solution for space needs. WeWork has already experienced unparalleled growth and we are confident that with Adam's vision and this growth capital the company will be able to aggressively pursue the enormous market opportunity ahead of them"*.

5.5. From WeWork to The We Company

In the heart of 2019, as WeWork soared to unprecedented heights, driven by its rapid expansion and significant investments, the company embarked on a transformative rebranding as "*The We Company*", embracing a new identity meant to reach beyond traditional co-working spaces, with a lofty mission to "*elevate the world's consciousness*". This move marked the company's aspirations to establish a comprehensive lifestyle ecosystem, encompassing a broader range of services and initiatives, that would enhance its members' lives.

WeWork. The core business of providing co-working spaces, with the objective to "*create a world where people work to make a life, not just a living"*.

WeLive. A residential concept offering short-term apartment rentals, aiming to foster a sense of community and reduce loneliness among its residents, with a mission to "*build a world where no one feels alone*", and the impactful aspiration of potentially "*driving down suicide rates*".

WeGrow. A school seeking to "*unleash every human's superpower",* through a unique educational approach that emphasized creativity, critical thinking, and social-emotional learning. For WeGrow the plan was not only to "*shelter the world's orphans*", but also to "*give them a new family: the WeWork family*".

Neumann’s vision extended beyond these three pillars, enveloping a wide range of ventures that pierced through various aspects of life: *“There was talk of a WeBank, WeSail, WeSleep (and) an airline”,* reflecting his unyielding belief in the power to transform the world and ambition to create a “*We*” Ecosystem (Chozick, 2019).

As WeWork’s valuation ascended, fueled by optimism and unwavering support, discussions regarding an IPO became more recurring, with both investors and the public captivated by the promise of a revolutionary lifestyle ecosystem. Ultimately, the IPO proved to be WeWork’s downfall.

5.6. The IPO Fiasco

WeWork's registration paperwork was made available on the Securities and Exchange Commission (SEC) website at precisely 7:12 a.m. on a bright late-summer morning in New York City on August 14, 2019. This application, formally known as an S-1 Filing, represented a significant step in the precisely planned process towards public listing.

Thousands of investors and journalists would get their first genuine look at the company's financial situation, allowing them to determine whether WeWork was, as its founder promised, on route to galactic supremacy and unbelievable profits. While the initial response held a restrained tone, a few hours of financial scrutiny caused the dam to break.

Regardless of generating $1.8 billion in revenue, WeWork incurred a staggering net loss of $1.9 billion in 2018, a pattern repeated in the first half of 2019, when the company reported another loss of $900 million, on $1.5 billion in revenue – in other words, WeWork was spending c. 2$ for each earned dollar in revenue. These alarming figures highlighted the unsustainable nature of the company’s business model. Adding to investor concerns was the company’s lengthy list of risk factors, containing a plethora of potential threats to its business, financial condition, legal compliance, organizational structure and even the specific offering and ownership of its

Class A common stock. Of the risk factors that occupied over 13% of the S-1 Filing, the following stood out:

- **i.** WeWork had grown rapidly, and that growth might not be sustainable;
- **ii.** The company had a history of significant losses, expected to continue in the foreseeable future due to its investment strategy;
- **iii.** The real estate market was highly volatile and could negatively impact the company's result if a global economic recession occurred or industry trends shifted;
- **iv.** WeWork had been prioritizing its mission over short-term profit and there was no guarantee that it would even benefit the company in the long-term;
- **v.** There was a big dependence on the CEO Adam Neumann, revealing a variety of conflicts of interest and raising concerns about corporate governance practices.

Moreover, in the opening pages, the company declared *"We dedicate this to the energy of We – greater than any one of us but inside each of us"*, further adding *"We are a community company committed to maximum global impact. Our mission is to elevate the world's consciousness. We have built a worldwide platform that supports growth, shared experiences, and true success"*. Despite their inspirational nature, these statements reflected negatively on WeWork, being perceived as detached from the company's financial reality.

Notwithstanding bearing the name "*The We Company*", the IPO documentation uncovered that WeWork was fundamentally centered around Adam Neumann, with his personal interests and unorthodox business practices dominating the narrative.

The uncertainties surrounding the company then prompted a significant reduction in its targeted public valuation, with reports suggested a decline to $10-$12 billion, revealing a substantial decrease from its earlier private valuation of $47 billion (Palmer, 2019).

As apprehensions surrounding WeWork's business practices and financial prospects escalated, the highly anticipated IPO faced an abrupt postponement in 2019. This decision marked a turning point for WeWork, not only sending shockwaves through the investment community, but also highlighting the importance of transparent information for companies and investors alike. The cascading consequences of WeWork's struggles laid bare the need for a fundamental shift, as it became clear that the company's business model, valuation, and investor base were all under intense scrutiny.

On September 24, 2019, the turmoil reached a peak when it was announced that the Co-founder Adam Neumann had decided to step back from his role as CEO: *"While our business has never been stronger, in recent weeks, the scrutiny directed toward me has become a significant distraction, and I have decided that it is in the best interest of the company to step down as chief executive"* to become only a board observer. This decision came as a response to the Board of Directors pressure, with all members voting for Neumann's resignation. Adam was reportedly offered $1.7 billion package to exit the company, marking SoftBank's take of control.

Yet, amidst these setbacks, an opportunity emerged for WeWork to reevaluate its strategy and address corporate issues. This moment sparked a period of introspection and substantial transformations which culminated in the announcement by the Co-executives of the company, Artie Minson and Sebastian Gunnigham, "*We have decided to postpone our IPO to focus on our core business, the fundamentals of which remain strong",* on September 30, 2019. The aim was to concentrate on core co-working operations and implement initiatives to enhance corporate governance and financial stability. While the withdrawal of the IPO was not the desired outcome, it was deemed necessary for the company's restructuring and long-term viability. Nevertheless, the prospect of going public remained open: "*We have every intention* *to operate WeWork as a public company and look forward to revisiting the public equity markets in the future"*, added the Co-executives.

Shortly after Neumann's departure, on October 22, SoftBank announced it would provide the company with a bailout package, seen as a lifeline for WeWork. The $9.5 billion financial package, contingent upon substantial business restructuring, was comprised of:

i. **Accelerating existing commitment:** a $1.5 billion commitment scheduled for April 2020 would be anticipated, at a rate of $11.60 per share. This transaction was expected to be concluded within 7 days post-signing, dependent on WeWork's shareholder approval;

ii. **Tender offer launch:** valued at as much as $3 billion to all non-Softbank shareholders at a per-share price of $19.19. It was scheduled for the fourth quarter of 2019, with closing subject to regulatory approvals and other customary closing conditions;

iii. **New debt financing:** comprising $1.1 billion in Senior Secured Notes, $2.2 billion in Unsecured Notes and $1.75 billion through a Letter of Credit Facility, expected to materialize following the completion of the tender offer;

iv. **Joint venture share swap:** SoftBank Vision Fund's holdings in regional joint ventures (excluding Japan) would be exchanged for WeWork's shares, at a rate of $11.60 per share.

The described funding allowed SoftBank to acquire 80% of WeWork. However, due to WeWork's multi-class share structure and the structural voting power enjoyed by the founder, SoftBank did not hold a majority of voting rights, preventing it from gaining control. Consequently, WeWork did not become a subsidiary of Softbank, but instead remained an associate. This distinction is crucial as it allowed the former to retain its corporate identity and decision-making authority, while the latter maintained a significant financial interest in the company’s success, akin to a non-controlling interest and aligned with SoftBank’s desire to avoid taking on the full risks of WeWork’s business in a quest to protect its own balance sheet.

Furthermore, as part of this agreement, WeWork’s board appointed Marcelo Claure, Chief Operating Officer (COO) of SoftBank Group Corp., as the Executive Chairman of the Board of Directors of WeWork.

Later that year, by October, WeWork’s valuation had plummeted to a mere $8 billion (Klebnikov, 2019), a glaring decrease from its pre-IPO private valuation of $47 billion, reflecting the mounting concerns with the company’s financial health. In the aftermath of the bailout, WeWork embarked on a series of restructuring measures to address challenges and restore investors’ confidence, catalyzing a period of substantial transformation.

5.7. Restructuring Efforts

On November 21, 2019, the company laid off 2,400 employees – equivalent to nearly 20% of its global staff. “*As part of our renewed focus on the core WeWork business, and as we have previously shared with employees, the company is making necessary layoffs to create a more efficient organization”*, a WeWork representative said in a statement provided to CNN Business in 2019. *“The process began weeks ago in regions around the world and continued this week in the U.S.”.*

In the wake of WeWork's collapse, Sandeep Mathrani assumed the role of CEO in February 2020, bringing an extensive leadership experience in real estate and a seasoned track record in operational efficiency, succeeding Co-CEOs Artie Minson and Sebastian Gunningham. Under Mathrani's leadership, WeWork engaged in a comprehensive reassessment, instituting rigorous cost-cutting measures to address the company's vulnerabilities and right its culture. This involved significant workforce reductions, closure of underperforming locations, and negotiations with landlords, resulting in diminished rent obligations.

However, the onset of the COVID-19 pandemic, which brought the world to a standstill, posed an unexpected threat to the company's business model. As the prevalence of remote work surged, demand for WeWork's shared workspaces experienced a marked decline.

On October 14, 2020, a significant announcement was made through the company's rebranding from "*The We Company*" back to its original moniker, "*WeWork*", a crucial step in realigning the company's focus on its core product and solidifying its position as a global leader in end-to-end business solutions.

Throughout the year, WeWork reduced overhead costs by $1.1 billion and trimmed $400 million in operating expenses, culminating in an improved free cash flow by $1.6 billion. Despite these efforts, WeWork's valuation plummeted to $2.9 billion by May, a stark contrast to SoftBank's $7.3 billion appraisal in December 2019 (Savov, 2020). By December, WeWork had strategically withdrawn from 106 locations that were either underperforming or not yet operational and negotiated over 100 lease amendments, resulting in an estimated $4 billion reduction in future lease payments.

5.8. Path to Public Listing

In the latter half of 2020, WeWork found itself approached by numerous Special Purpose Acquisition Companies (SPACs) on a weekly basis, each presenting merger proposals. The turning point came in January 2021, when Sandeep engaged in discussions with BowX Acquisition Corporation (BowX) (NASDAQ: BOWX, BOWXU, and BOWXW), one of the SPACs, to assess whether a SPAC merger could serve as the optimal strategy for WeWork's resurgence post the setbacks of the failed IPO.

In March, WeWork and BowX formally announced a definitive merger agreement, setting the stage for WeWork's public listing. One analyst noted in 2021, "*The SPAC route gives Mathrani* *a lot of control and a quick, clean, direct method to go public, and that gives him the chance to run the business rather running a public process".*

Sponsored by Bow Capital Management, under the leadership of Vivek Ranadivé, BowX had raised $420 million in its IPO on August 7, 2020, supplemented by an additional $63 million through the exercise of an over-allotment option. The combined proceeds of $483 million were placed in a trust account, instrumental in funding the subsequent SPAC merger with WeWork, on October 21, 2021. Additionally, an $800 million private placement of $10 per share, known as a Private Investment in Public Equity (PIPE), was ensued, featuring contributions from prominent investors, namely Insight Partners, Starwood Capital Group, Fidelity Management & Research Company LLC, Centaurus Capital, and BlackRock. As negotiations concluded, WeWork's valuation underwent revision, with investors in the PIPE transaction forcing a reduction from $9.9 billion to $9 billion. WeWork's entry into the public domain then resulted in an Enterprise Value of $9 billion (Johnston, 2021).

On October 21, 2021, WeWork successfully went public and its shares began trading under the ticker "WE" on the NYSE. The closing price of $11.78 per share marked a 13% increase on its first trading day, resulting in a valuation of $9.3 billion. As a result of the SPAC, WeWork raised approximately $1.3 billion, with BowX assuming control of 56% of the company (Smith, 2021). The ensuing financial landscape reflected a robust balance sheet, boasting approximately $1.9 billion in cash and a total liquidity of $2.4 billion, inclusive of a $550 million senior secured notes facility from SoftBank Group.

CEO Sandeep Mathrani, buoyed by WeWork's substantial financial injection and strategic partnership with BowX, conveyed unwavering confidence in the company's value proposition and its distinguished global standing within the flexible workspace sector. In an interview with CNBC's "Squawk Box" (2021), he noted: "*You've said this is a story with drama. Sure, this is a story where a lot of people wrote documentaries that it was the end of WeWork. Well the* *resistance, the persistence of these people is incredible. This company is here, is stronger than ever, and no doubt that we're going to be celebrating many more milestones".* Marcelo Claure also echoed this sentiment, underlining the transformative potential of WeWork in reshaping the commercial real estate landscape, particularly in the post-pandemic era where the convergence of digital technology and flexible workspaces assumed heightened significance.

Despite uncertainties regarding post-pandemic working trends, WeWork's response was marked by adaptability, with the company pivoting its offerings to encompass hybrid work solutions and cater to businesses with remote employees. Claure highlighted this as an opportunity for WeWork to "*reinvent*" itself, revealing that demand for WeWork spaces had surpassed pre-pandemic levels. In parallel, BowX's CEO Ranadivé remained bullish about WeWork's prospects, foreseeing a fruitful partnership and anticipating both short-term profitability and long-term growth through innovation. He contended that the corporate focus on flexibility would act as a tailwind for the company. *"Companies have now decided that flex space is the must-have"*, he told CNBC in an interview, per The New York Times (2021). *"Maybe for their own headquarters, they want to own that space. But for everything else, they want to hand it over to a WeWork*", he added. As a result, WeWork would be the *"opportunity stock for the recovery"*.

Following the transaction, leadership remained intact, with Claure and Mathrani continuing to lead WeWork as Executive Chairman and CEO, respectively. Ranadivé and Deven Parekh of Insight Partners joined WeWork's Board of Directors, contributing to the strategic direction and governance of the company.

5.9. Turbulence following Public Listing

Between the moment WeWork boldly took its place on the trading floor and early 2023, the company continued to fortify its financial standing, attracting capital from a diverse array of investors. Notably, in October 2021, Cushman & Wakefield provided $150 million in equity and, subsequently, in May 12 of the following year, WeWork secured an additional $350 million in debt financing from Brookfield Asset Management. Building on this momentum, on January 3, 2023, the SoftBank Vision Fund orchestrated a significant infusion of $250 million, also in the form of debt funding (see Exhibit 9.).

Yet, despite the described funding triumphs, WeWork's post-IPO journey was akin to navigating turbulent waters. Financially, the company grappled with persistent challenges, evident by the five consecutive years of negative EBITDA and the reported net loss in 2022 of $2.3 million (see Exhibit 10., Exhibit 11., and Exhibit 12.). Furthermore, since 2021, WeWork found itself losing track of the intricate equilibrium expected between balance sheet components, with liabilities consistently surpassing assets, resulting in negative equity — an unbalance that raised legitimate concerns about the company's capacity to meet its long-term financial commitments. Also, in a strategic move to enhance its liquidity position, SoftBank Group Corp. significantly extended WeWork's financial commitments of $1.75 billion from February 2023 to the following year.

But, even amidst financial turbulences, WeWork maintained a dedication to reinforce its cost-effective strategic expansion, emphasizing growth and innovation as its guiding principles.

Notably, on the 25th of January 2022, WeWork acquired Common Desk, a flexible space provider based in Dallas, Texas, and only two weeks later announced a strategic partnership with UpFlex, a co-working aggregator and global flexible workplace startup. The arrangements aimed at extending WeWork's footprint across non-core markets globally, providing members with an expanded array of tailored flexible solutions.

Subsequently, on April 13, 2022, WeWork entered into a partnership with Yardi, a leading real estate software provider. The culmination of these efforts materialized in July, with the official launch of WeWork Workplace, a universal platform designed for inventory management across office spaces, enhanced employee experiences, and space optimization through insights and analytics.

Despite the series of strategic acquisitions and partnerships initiatives, the company witnessed several high-level executive departures, underscoring the ongoing instability within the organization, a narrative that persisted into the present year.

5.10. The Closing Chapter

In April 2023, WeWork released yet another underwhelming official announcement: the company received a formal notice (referred to as "*the Notice*") from NYSE, stating non-compliance with the continued listing standards. As of April 11, the average closing price of the Company's Class A Common Stock had fallen below the stipulated threshold of $1.00 per share, over a continuous 30 trading-day period. Notably, the Notice did not result in the immediate delisting of the Company's Common Stock, rather WeWork was granted a specific six-month "*cure period*" to rectify the deficiency.

WeWork acknowledged several avenues to regain compliance with the minimum share price requirement during the corrective phase, provided that, on the final trading day of any given calendar month, or on the concluding day of the correction period itself, the company met two specific conditions: i) a closing share price not less than $1.00; and ii) an average closing share price of at least $1.00 over the 30 trading-day intervals terminating on the ultimate trading day of that respective month.

Barely one month after, WeWork's crisis aggravated, this time within its leadership ranks. Sandeep Mathrani, who held the positions of Chairman and CEO, would step down from both roles, with the effective date set for May 26. In the transitional phase, David Tolley, existing member of WeWork's Board, was designated as the interim CEO. *"I am tremendously excited* *to join WeWork's management team as the company continues to grow and progress towards free cash flow"*, said Tolley (2023) in the company's announcement which led WeWork's shares to rise more than 2% after-hours.

But the respite was short-lived. On August 8, the second quarter earnings release casted, once more, a shadow of significant uncertainty regarding the company's ability to continue as a going concern, resulting from losses and projected cash needs, combined with increased member churn and severe cash bleed. In the second quarter alone, WeWork reported a net loss of $397 million, a figure which still showed an improvement compared to the homologous period in 2022 ($635 million), when the company was losing c. $5,000 per minute.

In response to mounting concerns, WeWork's management articulated yet another strategic plan aimed at bolstering the company's financial stability through: i) reduction of rent and tenancy costs through the implementation of restructuring measures and negotiations for more favorable lease terms; ii) enhancement of revenue by mitigating member churn and augmenting new sales; iii) stringent control of expenses and the imposition of limits on capital expenditures; and iv) pursuit of additional capital through the issuance of debt or equity securities, or through asset sales.

Only ten days later, WeWork confirmed its decision to implement a 1-for-40 reverse stock split of its Class A and Class C Common Stock. This move, which would artificially inflate the stock price by reducing the number of outstanding shares, sent stocks plummeting by 11% that Friday, closing at 14 cents. But with or without a higher stock price, the company's market capitalization had shrunk to around $300 million (Bloomberg, 2023).

The situation deteriorated further on late August, when the NYSE ultimately suspended trading in WeWork's warrants, citing "*abnormally low*" trading price levels and initiating the delisting process for these financial instruments.

Amidst a period of profound turbulence within the commercial real estate sector, the challenges that WeWork faces today emerge from a multifaceted web of complexities, which culminated in the implementation of the 40-for-1 reverse stock split, as a final effort to resuscitate the company's ailing stock price and circumvent delisting. The reverse stock split took effect at 4:01 p.m. Eastern Time today, the 1st of September, and as of the market opening on September 05, 2023, WeWork's Class A Common Stock will commence trading on a split-adjusted basis.

Despite this drastic manoeuvre, WeWork's downward spiral continues. Today, the company's shares closed at $4.40, equating to a market capitalization of $234.324 million.

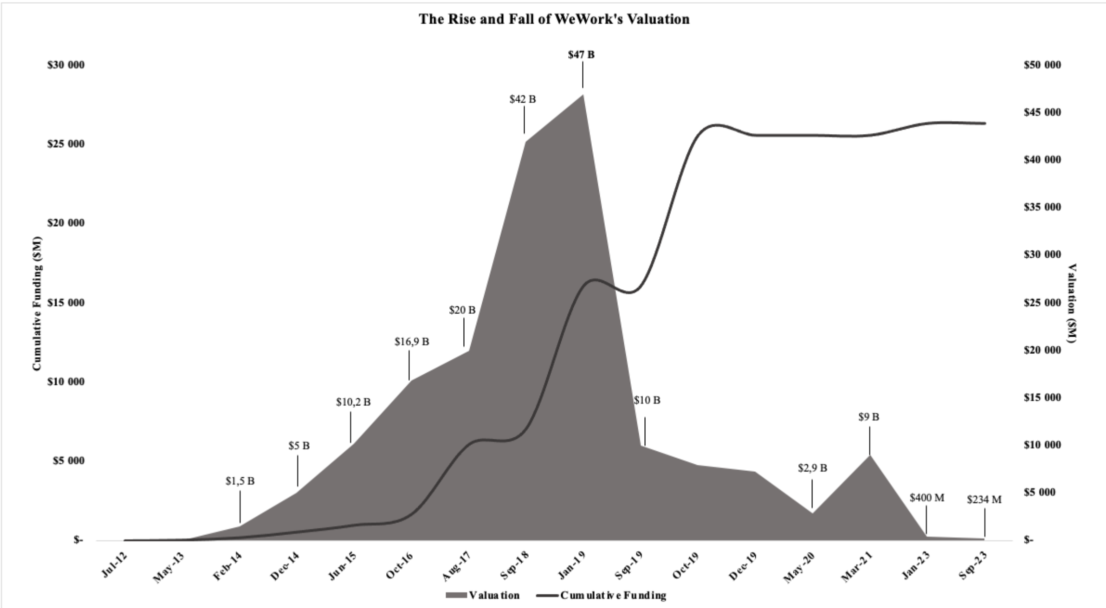

Exhibit 7. WeWork's Daily Closing Stock Price Evolution (Source: Own illustration based on Bloomberg)

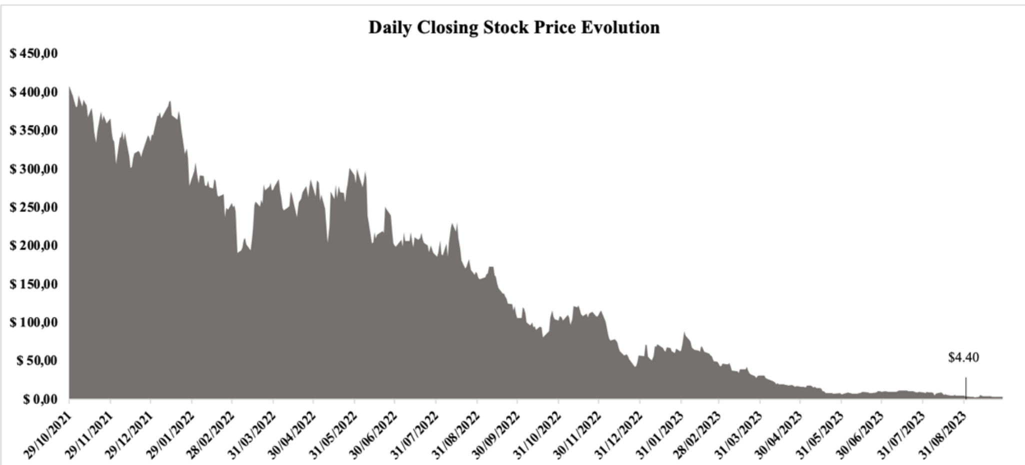

Exhibit 8. The Rise and Fall of WeWork's Valuation (Source: Own illustration based on Crunchbase, Business Insider, S-1 Filing)

This represents a staggering decline of 99.5% from its once-imposing $47 billion valuation in 2019, when it held of title of largest private occupier of office spaces in Manhattan and London.

As it stands, WeWork's legacy is not one of value creation, but rather a narrative between utopia and chaos of what is, in essence, one of the most spectacular collapses in recent memory.

6. Transition to Teaching Note

As Anna delved deeper into the complexities of WeWork's rise and fall, she determined that Neumann's unconventional leadership style, coupled with his unchecked ambition and disregard for financial discipline, created an environment that fostered unethical practices and unsustainable growth.

She understood that innovation and disruption, while essential for growth, must be tempered with sound management practices and a healthy dose of caution. Nonetheless, Neumann's individual contributions, while undeniable, appeared to be only one piece of the puzzle explaining WeWork's downfall.

Factors including the profound transformation of work patterns driven by the COVID-19 pandemic, a marked and precipitous devaluation of office and retail properties, and the cascading consequences of escalating interest rates also placed undue strain on industries reliant on credit. In fact, businesses are now engaged in a comprehensive revaluation of their office space needs, prompted by the seismic shift toward remote work alternatives that employees have increasingly embraced. Also, the adverse outcomes stemming from the potential delisting and the ongoing financial tribulations seem to cast a long shadow of uncertainty over WeWork's future.

Amid these transformative dynamics, WeWork's longstanding business model, traditionally anchored in long-term leases and membership commitments, appears incongruent with the contemporary outlook. The once vibrant co-working industry, considered a beacon of innovation and promise, now grapples with a turbulent landscape.

This unfolding narrative stands as an insightful testament to the paramount importance of preserving sound leadership, financial prudence, and a commitment to transparency. Yet, a compelling question remains unanswered: **If not only prompted by the "*Neumann Effect*", what precise combination of factors and events propelled this co-working giant into its present state of financial precariousness?**

Individual Part – Joana Beatriz Oliveira Matias

Case Synopsis

In the late hours of a September night, Anna Smith, a seasoned analyst at Horizon Ventures, finds herself immersed in the evaluation of Flow, an ambitious startup seeking a $500 million investment. As she meticulously combs through the details, a sense of *déjà vu* envelops her consciousness. The ambitious business model, the charismatic leadership of Neumann, the rapid growth plans – it all echoes the trajectory of WeWork, once a formidable disruptor within the co-working sector, commanding a valuation of $47 billion as of January 2019, and now facing a substantially eroded market capitalization and ability to continue as a going concern. This realization propels Anna into an introspective journey through WeWork's story, a saga of meteoric ascent to success, fraught with turbulent challenges, ultimately culminating in a fall that sent ripples across the business world. Anna is left to wonder: What precise combination of factors and events propelled WeWork into its present state of financial precariousness?

Learning Objectives/Purpose

This Case Study offers students a profound understanding of the precise combination of factors and events that propelled WeWork into its current state of financial uncertainty. It challenges them to engage in rigorous critical thinking when delving into potential explanations, which may encompass the unconventional corporate culture and governance practices and the intricacies of its business model. By consolidating solid theoretical and analytical background, students are encouraged to unravel the mysteries behind WeWork's staggering $47 billion valuation, the factors contributing to the failed IPO, the strategic shifts leading to its eventual public listing, and the crucial role played by SoftBank as its primary investor. Additionally, this case conducts an in-depth analysis of Financial Distress models that seem to validate WeWork's standing at the precipice of bankruptcy.

Target audience

This case study is designed to be a valuable resource for academic programs at the Master's and MBA levels, with an emphasis on courses related to Entrepreneurship, Entrepreneurial Finance and Venture Capital. It may also be incorporated into curricula related to Corporate Governance, Corporate Finance, and Credit Risk. Students are expected to have a foundational understanding of Entrepreneurial Finance, particularly of Funding Rounds, Multiples Valuation, and the dynamics of Financial Distress.

Teaching Plan

The overall session should be allocated a minimum duration of 120 minutes. It is expected that students receive and read the Case Study in advance as well as address the assigned questions in preparation for the classroom discussion. In addition to the core case material, supplementary resources are available to enrich the learning experience, including the video "*The Spectacular Rise and Fall of WeWork*" by Bloomberg, the series "*We Crashed*" on Apple TV+ and the book "*The Cult of We: WeWork, Adam Neumann and the Great Startup Delusion*". It is recommended that each of the four sets of questions is analyzed within approximately 25 minutes, followed by a comprehensive review of key learnings and takeaways.

Assigned Questions (Focus on the period between early 2019, coinciding with the $47 billion peak valuation, and October 2021, month of WeWork's SPAC Merger IPO.)

1. Evaluate the rationale behind WeWork's peak valuation of $47 billion in relation to industry benchmarks and market expectations. Determine whether WeWork's valuation should be aligned with that of a real estate or a technology company by: (i) selecting an appropriate valuation method; (ii) performing a valuation analysis of WeWork; and (iii) discussing the implications of the valuation findings.

2. Considering the reasons why WeWork's decided to postpone its IPO in 2019, explain the key factors that influenced the company's decision to pivot from a traditional IPO to a SPAC merger two years later and how this decision impacted its subsequent path to public listing.

Case Analysis

1. WeWork's Peak $ 47 billion Valuation

Determining the precise nature of WeWork presents a nuanced challenge and, as a result, the valuation debate surrounding the company took center stage.

With the first massive $4.4 billion investment from Softbank in 2017, WeWork was valued at c. $20 billion, making it the fourth-most valuable startup in the United States, trailing only Uber, Airbnb, and SpaceX. Nonetheless, even the company's visionary Founder and CEO, Adam Neumann, acknowledged in an interview that WeWork was overvalued with respect to the number of desks leased and rents collected, which represented the core business. In his own words to Forbes, Neumann (2017) remarked *"No one is investing in a co-working company worth $20 billion. That doesn't exist"*.

As the company approached its IPO, though official pricing details were not revealed, SoftBank's $1 billion in new cash, dated January 2019, bestowed WeWork with an impressive valuation of $47 billion. Such valuation echoed as one of a technology company and positioned WeWork as the potential second-largest IPO of 2019, following only Uber Technologies, and markedly surpassing what it would garner if evaluated through the lens of a conventional real estate entity like International Workplace Group (IWG), the owner of Regus.

Perceptions diverged on whether WeWork's valuation should align more closely with traditional commercial real estate firms, specializing in the provision of short-term shared office spaces, or if a valuation analogous to that of a technology-oriented company was justified. Within this context, the central inquiry stands: *At the pinnacle of its trajectory, did the $47 billion endure as a substantive and realistic valuation, or was it an illusory figure?*

1.1. Selection of Valuation Method

The valuation of young enterprises and high-flying private startups stands as one of the central mechanisms of Entrepreneurial Finance, holding extreme significance for both entrepreneurs and investors (Köhn, 2018). Nevertheless, it poses unique challenges due to their limited histories, reliance on equity from private sources, and heightened vulnerability to failure, particularly within non-mature industries.

According to the conventional Corporate Finance Theory, the firm's value is the present value of all the expected future cash flows, discounted at a cost of capital that encompasses both the sources and costs of financing (Damodaran, 1999). In this regard, the valuation ought to intricately capture every facet of a company, including its business model, market, competitive landscape, technological aspects, founding team dynamics, and associated risks. A robust valuation thus serves as a vital linkage between these elements and the ultimate estimation of value (Damodaran, 2017). Generally, three fundamental methodologies are employed for valuation purposes: i) the Discounted Cash Flow (DCF) method which associates the value of an asset with the present value of anticipated future cash flows; ii) the Relative Valuation approach that gauges the value of an asset by examining the pricing of analogous assets relative to a common metric; and iii) the Contingent Claim Valuation that utilizes option pricing models to evaluate the worth of assets exhibiting option-like characteristics. The choice between these valuation approaches can yield quite disparate outcomes (Damodaran, 2012). Furthermore, in the context of emerging and rapidly expanding companies, reliant on substantial external funding, investors often employ the Venture Capital Method. The latter entails projecting the future earnings of a private company in the year preceding its IPO. These, when combined with an earnings multiple derived from publicly listed companies within the same industry, are utilized to ascertain the company's exit or terminal value. Subsequently, this value is discounted back to the present using a target rate of return, a metric designated by venture capitalists to reflect a justifiable return in light of the associated risks, and typically higher than the conventional cost of equity for the firm (Carver, 2011).

When analyzing WeWork's peak valuation of $47 billion in 2019, it is imperative to employ a valuation methodology tailored to the distinctive characteristics of the company. Throughout its fast-growth trajectory, WeWork encountered significant challenges, including consecutive net operating losses and negative cashflows in the years 2016, 2017, and 2018, which posed obstacles in estimating profit growth rates and projecting future cashflows, thereby hindering the proper application of conventional valuation methods such as the DCF model.

Beyond the estimation complexities, tax calculations also introduce a layer of difficulty to the valuation process. While the standard approach involves applying the marginal tax rate to pre-tax operating profit, under the assumption that profits generate tax liabilities, companies facing losses, like WeWork, may carry them forward to offset future income. Moreover, the going concern assumption may not be valid due to the realistic possibility that these companies may face bankruptcy if profits remain negative. In this regard, the assumption of an infinite life underlying the terminal value estimate, a core component of the DCF model, may not be applicable to WeWork. By nature, the former is influenced by not only target margins but also growth assumptions, that prove challenging to ascertain. From 2016 to 2018, WeWork's revenues experienced a compound annual growth rate of 61%, underscoring its non-mature status and implying additional estimation procedures for a viable long-term growth rate.

Also, considering the deliberate emphasis on comprehending WeWork's relative valuation concerning its counterparts, rather than assessing its intrinsic value, the employment of intricate option pricing models emerges as less relevant. For this purpose, the Relative Valuation approach appears to be a more pertinent method, particularly because companies with venture capital backing, such as WeWork, exhibit strong connections to public markets.

1.2. Selection of Multiples

The selection of appropriate multiples holds significant importance in comparing WeWork to its public peers. To ensure a meaningful comparison, it is essential to standardize all valuation multiples to a common metric, with conventional measures including revenues and earnings the companies generate and the book value of the companies themselves (Damodaran, 2012).

Sales multiples offer distinct advantages over earnings and book value multiples. Unlike the latter, which may yield nonsensical negative values for companies with negative earnings, the former remains meaningful even for the most troubled or young firms. Not only are sales less susceptible to manipulation in comparison to earnings and book value, heavily influenced by accounting decisions, but also exhibit lower volatility, providing a more stable valuation metric (Damodaran, 2012). Therefore, concentrating on sales multiples proves to be a prudent approach, which usually encompasses two fundamental comparison metrics, the Price-to-Sales Ratio (P/Sales) and the Enterprise Value-to-Sales ratio (EV/Sales).

It is crucial, however, to acknowledge that the P/Sales ratio may yield lower values for more heavily leveraged firms, potentially leading to misinterpretations when comparing this ratio across companies within a sector exhibiting diverse capital structures (Damodaran, 2009). Consequently, for the purpose of this analysis, exclusive consideration will be given to the EV/Sales ratio. Ultimately, since the intrinsic value of a firm is contingent upon its ability to generate earnings and positive cashflows (Damodaran, 2009), one should note that focusing on revenues has the potential to foster the overvaluation of companies exhibiting robust revenue growth yet incurring substantial financial losses.

1.3. Selection of Peer Companies and Revenue Multiples

Despite the straightforward nature of the Multiples approach, the process of identifying comparable companies for a Relative Valuation remains a demanding step. The conventional practice involves assembling a peer group, usually consisting of eight to fifteen analogous publicly listed companies. In the case of startups, a logical approach would entail comparing them with other young companies operating in the same business, typically not publicly listed, and consequently, without available market prices and discernible multiples for computation. This complexity is notably exemplified in the case of WeWork. Apart from Regus, under the IWG, the primary contenders in co-working spaces – Knotel, Industrious, Convene, CommonGrounds, Serendipity Labs, The Wing, and Impact Hub – operated all as private entities in 2019. As a result, the alternative of considering public companies at a more mature stage in the corporate life cycle and with a distinctive risk profile, cashflow patterns, and growth characteristics prevails (Damodaran, 2009). For the purpose of this valuation analysis, two groups of comparable companies were selected: real estate and technology enterprises.

1.3.1. Real Estate Comparable Companies

For the first group, the initial approach involved selecting a set of real estate companies according to the Global Industry Classification Standard, a four-tiered hierarchical industry classification system developed by S&P Dow Jones and Morgan Stanley Capital International (MSCI). Widely accepted as an industry analysis framework, the GICS includes four tiers: i) sectors; ii) industry groups; iii) industries; and iv) sub-industries. Universally applied, companies are assigned a singular GICS classification based on their principal business activity, primarily determined by revenues, with considerations for earnings and market perception as well. Upon examination, WeWork emerged within the broader category of the real estate sector and its associated industry group. Specifically, it was classified under the industry of real estate management & development and sub-industry of real estate operating companies. Within the same GICS comprehensive classification, fifteen publicly traded comparable companies were highlighted, including IWG, previously acknowledged as the most direct competitor to WeWork (see Exhibit 13.). Nevertheless, it became evident that despite presenting an average revenue of $1,943.49 million in the end of 2018, similar in magnitude to WeWork's $1,821.751 million, the peer group did not prove suitable for a meaningful comparison. The operations of the listed companies spanned across diverse segments of the real estate market – residential, commercial, retail, and investment –, distinct from WeWork's emphasis on flexible office space and co-working services. Furthermore, these entities were strategically positioned across a multitude of geographies, predominantly within the Asia-Pacific region, while WeWork placed the majority of its co-working offices in the U.S.. The described variations imply divergent risk profiles, shaped by different financial structures, growth trajectories, and market exposures, potentially resulting in inaccurate and inconclusive valuation assessments. Moreover, the EV/Sales multiples revealed substantial variations among the fifteen companies, ranging from 0.32x to 20x, further obscuring the comparative analysis (see Exhibit 13.). In an alternative approach, U.S. industry multiples were considered, leveraging the dataset compiled by Aswath Damodaran, which provides a comprehensive perspective on industry benchmarks. It is worth noting that, in the year preceding the peak valuation, approximately 60% of WeWork’s total revenues were prevenient from the U.S. market (see Exhibit 14.). Within Damodaran’s dataset, WeWork was found in the real estate sector, specifically classified under the real estate – operations and services industry group. Focusing on Revenue Multiples for the beginning of January 2019, the EV/Sales U.S. average stood at 1.44x.

1.3.2. Technology Comparable Companies

One of the key arguments in favor of such a high valuation was WeWork's self-portrayal as a tech-driven disruptor, offering digital tools and services for businesses and positioning itself as a game-changer in the way people work, collaborate, and ultimately live. The S-1 Filing (2019) emphasized *"Technology is at the foundation of our global platform. Our purpose-built technology and operational expertise has allowed us to scale our core WeWork space-as-a-service offering quickly, while improving the quality of our solutions and decreasing the cost to find, build, fill and run our spaces".* This tech narrative attracted investors on the premise of rapid growth, cutting-edge technology, and scalability – attributes typically associated with tech companies. Also, Neumann frequently drew parallels between WeWork and pioneers of the "*sharing economy*" such as Uber, Airbnb, Facebook and LinkedIn (Bliss, 2018), emphasizing their role in facilitating the direct sharing of resources, services, or goods through digital platforms, aligning with WeWork's broader objective of nurturing a collaborative and interconnected society. Because Uber and Airbnb were not publicly traded in January 2019, this analysis shifted focus to the FAANG group (Facebook, Apple, Amazon, Netflix, and Google) as the set of comparable technology companies. In fact, at a real estate investment conference in Toronto in 2018, Tom Dicker cautioned against equating WeWork with these tech giants to justify its valuation, emphasizing that *"You're taking a very capital-intensive, real-world business model and confusing it with FAANG and treating it in the same way".* Focusing on Revenue Multiples for January 2019, the EV/Sales stood at 5.01x (see Exhibit 15.).

1.4. WeWork's Relative Valuation

In light of WeWork's 2018 year-end financials, which reported a revenue figure of $1,821.75 million and a negative net debt of $942.65 million, a notable disparity emerges when contrasted with the staggering $47 billion valuation. Applying the EV/Sales multiple prevalent in the U.S. real estate sector, WeWork's equity value aligns more closely with a figure of c. $3.6 billion, representing a thirteenfold reduction from the headline valuation. In contrast, employing the same metric within the context of the FAANG tech companies propels WeWork's equity value to c. $10 billion, reflecting an almost fivefold decrease from the $47 billion valuation (see Exhibit 16.). Despite the desired closeness to technology firms, WeWork's core business model aligned more closely with Regus, hence, to refine this assessment and mitigate potential limitations, a targeted comparative analysis with IWG, considered an ideal benchmark within the real estate sector, was conducted.

1.5. WeWork vs IWG (Regus)

During its rapid expansion, WeWork, while often perceived as an innovative entrant, operated within a pre-existing market landscape. In the final quarter of 2017, Regus[1] dominated the global co-working sector with a commanding 21% market share, a network spanning over 3,000 locations across 100 countries, and a global workforce exceeding 10,000 employees. In comparison, WeWork, positioned as the second largest global player, held a 4% market share.

By the close of 2018, IWG not only matched but surpassed WeWork across various quantifiable dimensions (see Exhibit 17. and Exhibit 18.), with the only two exceptions lying in the valuation magnitude and in the business model risk. Firstly, despite having approximately 20% less usable square feet of office space compared to IWG, WeWork's operating lease commitments at the end of 2018 were almost fivefold, contributing to a higher risk profile. This difference stemmed from WeWork's focused presence in a smaller number of cities, with revenue concentration in high-priced locations such as New York City, leading to higher costs per square feet. Moreover, with an average lease term of 15 years, 70% of WeWork's overall lease arrangements extended beyond a 5-year period. In contrast, for IWG, only 37% of leases surpassed the latter timeframe, decreasing its exposure to economic downturns, where rigid and expensive leases become a burden without the ability to secure sub-tenants for rental coverage (see Exhibit 19.). Secondly, WeWork's valuation of $47 billion was nearly thirteen times higher than IWG's market capitalization of $3.7 billion (see Exhibit 18.). In fact, as

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[1] Founded in Brussels, Belgium, in 1989, as "Regus", by the entrepreneur Mark Dixon, IWG emerged as a global leader in flexible office solutions, by adopting a business model involving the leasing, refurbishment, and sub-leasing of office spaces under shorter terms.

reported by the Financial Times, *"If the company's equity value was based on the same multiple of sales as flexible workspace peer IWG, it would be worth less than $3 billion"* (Platt, 2018). In response, Mark Dixon (2018) expressed his team's scrutiny of WeWork's success, questioning if there was a crucial element they were overlooking, admitting *"We, of course, looked at that every single day and said what are we missing? Is there something that we are not doing? Is there something that we are missing? Is there an ingredient that is sort of there that we are missing out or that we can add into what we are doing? But we never found it".* Given the aforementioned, two plausible scenarios emerge: either WeWork was overvalued or IWG was undervalued. However, an examination of the relative valuation unequivocally points towards WeWork's overvaluation.

1.6. Valuation Debate: Critical Analysis

In 2019, WeWork garnered immense attention as its valuation skyrocketed to a staggering $47 billion. However, a comparative analysis of WeWork's valuation using the EV/Sales multiple, both within the U.S. real estate sector and the realm of FAANG technology companies, reveals a significant disjunction between WeWork's calculated valuation – c. $3.6 billion and $10 billion, respectively – and the $47 billion valuation. Notably, even when juxtaposed with the tech sector, where a higher multiple is observed, WeWork's valuation remained markedly below the headline figure, further highlighting the overvaluation concerns.

Far surpassing its traditional real estate counterparts, particularly IWG, the $47 billion valuation positioned WeWork as an unconventional force in the workplace landscape, often perceived as driven by the technological prowess and classified as a technology company rather than a mere real estate provider. However, despite its proprietary software platform – which facilitated member management, space utilization, and community engagement – and rapid growth fueled by aggressive expansion, WeWork lacked key characteristics associated with technological companies, outlined by Govindarajan and Srivastava (2019), including i) Low variable costs; ii) Low capital investments; iii) Extensive customer data and intimacy; iv) Network effects; and v) Ecosystems that boost expansion with little cost (see Exhibit 20.). Additionally, it is worth noting that while Airbnb, Lyft and Uber presented gross margins of 76,34%, 42,34% and 54,13% in 2018, respectively, a metric that represents the profits generated from their core business activity (Guillory, 2022), WeWork lagged behind with a mere 17% figure. Consequently, the perception that WeWork, as a tech or software company should be more valuable due to its size, growth, and apparent strength starkly contrasts with the reality of its "*Space-as-a-service*" business model. Moreover, in a contemporary landscape marked by widespread integration of technology across diverse business segments, the foundational premise of a tech company, rooted in the adoption for enhanced service speed and quality, broadens the spectrum of companies self-portrayed as tech-oriented to varying extents, a scenario that may be applicable to WeWork. Furthermore, according to Adam Neumann's statements to Forbes (2017), WeWork's valuation and scale were predominantly influenced by the company's "*energy and spirituality*" rather than a straightforward "*multiple of revenue*". In essence, the fact that WeWork could be perceived as a compelling brand, functioning as a "lifestyle platform" with a primary focus on fostering a global social community, prioritizing well-being and creativity alongside providing upscale and affordable workspaces, further inflated its valuation. The emphasis on elevating the "*world's consciousness*" can be seen as a diversion from the company's core business fundamentals, characterized by capital-intensive operations, unsatisfactory financial performance and associated unprofitability, accompanied by a substantial reliance on external funding.

In retrospect, WeWork's $47 billion valuation, proven unsustainable and misleading, stands as a cautionary narrative, emphasizing the risks associated with exaggerating the potential and worth of young and private companies, extremely difficult to value, through unfounded growth projections and unverified claims of technological expertise. A company's true value should rather hinge on its ability to consistently generate profits and establish a robust business model, sustained upon more tangible elements.

2. WeWork's SPAC Merger IPO

Eight months post-peak valuation, WeWork unveiled its IPO plans. Going public in September 2019 represented the opportunity to offer shares to a receptive public market and capitalize on an exceptionally high valuation. Its vision aimed to revolutionize the office space sector, with the IPO serving to secure the financial backing necessary to transform that vision into reality.

Nevertheless, a wave of mounting concerns regarding WeWork's precarious financial standing, business model intricacies, and deviations in culture and governance precipitated a decisive shift in the company's trajectory, culminating in the decision to defer its IPO. "*We have decided to postpone our IPO (...). We have every intention to operate WeWork as a public company and look forward to revisiting the public equity markets in the future",* appointed the Co-CEOs Minson and Gunningham, in 2019. Subsequently, WeWork entered a strategic reassessment phase and two years later, in 2021, the company opted for an alternative route to public listing: a Special Purpose Acquisition Company (SPAC) merger.

2.1. Traditional IPO vs. SPAC Merger IPO

Going public marks a significant milestone in an organization's journey: it not only opens avenues for external capital infusion from the dynamic capital markets, fostering operational expansion and facilitating strategic acquisitions (Meles et al., 2021), but also offers existing stakeholders liquidity and diversification opportunities (Kim et al., 2020). In addition to the conventional route of IPOs, characterized by the issuance of new shares by a privately held company, facilitated by an underwriter (typically an investment bank) and primarily targeted at institutional investors, companies may adopt other pathways to access public markets. A prominent alternative is the use of a SPAC (Kolb & Tykvová, 2016). Functioning as a company devoid of operational activities, often denoted as a “*blank-check*” or “*cash-shell*”, a SPAC is exclusively created to raise capital through an IPO, with the sole purpose of acquiring or merging with an existing privately held company, within a two-year timeframe and subject to approval by the SPAC’s shareholders through a proxy vote. This results in the emerging entity attaining public status and receiving a combination of the SPAC’s IPO proceeds and supplementary capital from private financing. In instances where no suitable target company is identified or if shareholders reject proposed transactions, the SPAC undergoes liquidation, and the net proceeds from the offering are returned to its investors (Cumming et al., 2014).

Amidst a substantial academic debate on the contrasting nature of traditional IPOs and SPAC IPOs, prior research on VC-backed firms reveals that an array of factors significantly shapes their decisions regarding exit choices. In this context, the growing prominence of SPAC IPOs as a preferred avenue for private companies is undeniable. Notably, in 2020, there were 248 SPAC IPOs, raising over $83 billion, surpassing the total raised by SPACs in the previous decade. This momentum continued in 2021, setting a record with 613 SPACs going public, yielding approximately $163 billion in proceeds, surpassing 422 traditional IPOs (see Exhibit 21.). When conferring public listing status to a private firm, SPACs possess accessible capital, reducing their reliance on prevailing market conditions during acquisitions compared to IPOs (Gleason et al., 2005), and offering existing shareholders the opportunity to promptly liquidate their holdings at the time of the SPAC acquisition. This route is also expected to be relatively faster and cheaper, as SPAC firms avoid the prolonged and costly SEC registration process, having undergone it during the SPAC vehicle formation (Aydogdu et al., 2007). Further, SPAC firms are exempt from organizing roadshows and commonly experience lower underpricing (Rodrigues and Stegemoller, 2014). However, while private firms bypass the need to convince a large group of investors, SPAC shareholders must approve the acquisition, introducing an element of uncertainty. Concerns may arise among existing shareholders about potential dilution due to the use of "*in the money*" warrants held by SPAC sponsors (Lakicevic et al., 2014). Investor distrust may also emerge towards SPACs and their firms due to perceived lack of transparency, as highlighted in literature (Cumming et al., 2014).

2.2. WeWork and BowX

Seeking to capitalize on the prevailing SPAC trend, WeWork went public on October 21, 2021, through a SPAC merger with BowX Acquisition Corporation (BowX), under the ticker "WE". Despite CEO Sandeep Mathrani's (2021) acknowledgment that *"Sometimes you don't pick the path, the path picks you"*, WeWork, having not turned a profit yet, faced an urgent need for increased liquidity. The SPAC avenue emerged as an expedient route to access capital promptly, as expressed by Mathrani in the same year: *"We thought it was a good time to raise additional liquidity to make sure that we have a path to profitability".* Subsequent to the challenges arising from the 2019 S-1 Filing, WeWork found itself under heightened scrutiny. Given the negative publicity and events linked to the prior attempt, the prospect of raising substantial funds through a traditional IPO in the public market appeared considerably challenging. In this regard, opting for a SPAC merger not only facilitated reduced due diligence and scrutiny but also a moderation of expectations. Additionally, considering the major stumbling block of the company's valuation, the SPAC merger provided the advantage of a predetermined valuation, safeguarding its value until its public listing. Furthermore, this alternative exit not only conferred SoftBank with the flexibility to either divest or retain its stake based on WeWork's market performance, but also positioned BowX to perceive WeWork as an "*opportunity stock for the recovery*" (Ranadivé, 2021) from the aftermath of the COVID-19 Pandemic, considering WeWork's standing as a leader in the flexible space market. In essence, the SPAC merger proved instrumental in sustaining its ambitious path toward becoming a sizable publicly traded entity, reflecting an acknowledgment of the challenges associated with a traditional IPO.

Appendix

Exhibit 9. WeWork's Funding Rounds

Date	Transaction Name	Capital Raised ($)	Capital Provider
Oct-11	Seed Round	$1M	*n.a.*
Jan-12	Angel Round	$6,85M	*n.a.*
Jul-12	Series A	$17M	*n.a.*
May-13	Series B	$40M	*n.a.*
Feb-14	Series C	$150M	Benchmark
Dec-14	Series D	$355M	Goldman Sachs, J.P. Morgan, Wellington Management and T. Rowe Price
Jun-15	Series E	$434M	Glade Brook Capital Partners
Oct-16	Series F	$690M	Hony Capital & Legend Holdings
Aug-17	Series G	$4,4B	SoftBank Vision Fund
Apr-18	Debt Financing	$1B	SoftBank
Nov-18	Secondary Market	$3B	SoftBank
Jan-19	Series H	$6B	SoftBank
Oct-19	Bailout Package	$9,5B	SoftBank
Oct-21	Post-IPO Equity	$150M	Cushman & Wakefield
May-22	Post-IPO Debt	$350M	Brookfield Asset Management
Jan-23	Post-IPO Debt	$250M	SoftBank Vision Fund

Source: Own illustration based on selected Crunchbase Information

Exhibit 10. WeWork's Income Statement

(Amounts in millions, except share and per share amounts)	2016	2017	2018	H1 2019	2019	2020	2021	2022	Q1 2023	Q2 2023
Revenue	436,10	886,00	1 821,75	1 535,42	3 458,59	3 415,87	2 570,00	3 245,00	849,00	844,00
Expenses:										
Location operating expenses - cost of revenue	- 433,17	- 814,78	- 1 521,13	- 1 232,94	- 2 758,32	- 3 542,92	- 3 085,00	- 2 914,00	- 724,00	- 725,00
Other operating expenses	*n.a.*	- 1,68	- 106,79	- 81,19	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Pre-opening location expenses	- 115,75	- 131,32	- 357,83	- 255,13	- 571,97	- 273,05	- 159,00	- 121,00	- 7,00	- 8,00
Selling, general and administrative expenses	- 115,35	- 454,02	- 357,49	- 389,91	- 2 793,66	- 1 604,67	- 1 011,00	- 735,00	- 155,00	- 150,00
Sales and marketing expenses	- 43,43	- 143,42	- 378,73	- 320,05	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Growth and new market development expenses	- 35,73	- 109,72	- 477,27	- 369,73	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Restructuring and other related costs	*n.a.*	*n.a.*	*n.a.*	*n.a.*	- 329,22	- 206,70	- 434,00	- 200,00	- 58,00	- 107,00
EBITDA	- 307,32	- 768,94	- 1 377,49	- 1 113,53	- 2 994,58	- 2 211,47	- 2 119,00	- 725,00	- 95,00	- 146,00
Impairment expense	*n.a.*	*n.a.*	*n.a.*	*n.a.*	- 335,01	- 1 355,92	- 870,00	- 625,00	- 77,00	- 263,00
Depreciation and Amortization	- 88,95	- 162,89	- 313,51	- 255,92	- 589,91	- 779,37	- 709,00	- 641,00	- 148,00	- 156,00
EBIT	- 396,27	- 931,83	- 1 691,00	- 1 369,45	- 3 919,50	- 4 346,76	- 3 698,00	- 1 591,00	- 204,00	- 351,00
Interest and other income (expense), net:										
Income (loss) from equity method and other investments	- 0,36	- 30,90	- 12,64	*n.a.*	- 32,21	- 44,79	- 18,00	- 17,00	- 2,00	*n.a.*
Interest expense	- 12,35	- 15,46	- 183,70	*n.a.*	- 99,59	- 331,22	- 455,00	- 516,00	- 131,00	- 102,00
Interest income	2,48	9,53	37,66	*n.a.*	53,24	16,91	19,00	9,00	4,00	
Foreign currency gain (loss)	- 23,17	29,44	- 78,60	*n.a.*	29,65	149,20	- 134,00	- 185,00	31,00	20,00
Gain (loss) from change in fair value of related party financial instruments	*n.a.*	*n.a.*	*n.a.*	*n.a.*	239,15	819,65	- 343,00	11,00	*n.a.*	*n.a.*
Loss on extinguishment of debt	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	- 77,34	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Other income (expense), net	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	41,00
Total interest and other income (expense), net	- 33,40	- 7,39	- 237,27	469,92	190,25	532,41	- 931,00	- 698,00	- 98,00	- 41,00
EBT	- 429,67	- 939,22	- 1 928,27	- 899,54	- 3 729,25	- 3 184,35	- 4 629,00	- 2 289,00	- 302,00	- 392,00
Income Tax benefit (provision)	- 0,02	5,73	0,85	- 5,12	- 45,64	- 19,51	- 3,00	- 6,00	- 3,00	- 5,00
Net loss	- 429,69	- 933,49	- 1 927,42	- 904,65	- 3 774,89	- 3 833,86	- 4 632,00	- 2 295,00	- 299,00	- 397,00
Net loss atributable to noncontrolling interests:										
Redeemable noncontrolling interests — mezzanine	*n.a.*	49,50	292,13	*n.a.*	493,05	675,63	139,00	54,00	6,00	10,00
Noncontrolling interest — equity	*n.a.*	*n.a.*	24,49	*n.a.*	17,10	28,87	54,00	207,00	29,00	38,00
Net loss atributable to WeWork Inc.	- 429,69	- 883,99	- 1 610,79	- 689,68	- 3 264,74	- 3 129,36	- 4 439,00	- 2 034,00	- 264,00	- 349,00
Net loss per share attributable to Class A and Class B commom stockholders										
Basic	- 2,66	5,54	- 9,87	- 4,15	- 23,46	22,24	- 18,38	2,67	- 0,34	- 0,21
Diluted	- 2,66	5,54	- 9,87	- 4,15	- 23,46	22,24	- 18,38	2,67	- 0,34	- 0,21
Weighted-average shares used to compute net loss per share attributable to Class A and Class B common stockholders, basic and diluted	161 324,94	159 689,12	163 148,92	166 301,58	139 160,23	140 680,13	263 584,93	761 845,61	766 258,25	1 626 430,04
Net loss	- 429,69	- 933,49	- 1 927,42	*n.a.*	- 3 774,89	- 3 833,86	- 4 632,00	- 2 295,00	- 299,00	- 397,00
Other comprehensive income (loss), net of tax:										
Foreign currency translation adjustments	9,46	- 18,70	7,67	*n.a.*	- 17,01	- 146,74	95,00	155,00	- 32,00	- 24,00
Unrealized (loss) gain on available-for-sale securities	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	3,27	- 2,00	3,00	*n.a.*	*n.a.*
Other comprehensive income (loss), net of tax	9,46	- 18,70	7,67	*n.a.*	- 17,01	- 143,46	93,00	158,00	- 32,00	- 24,00
Comprehensive loss	- 420,23	- 952,19	- 1 919,75	*n.a.*	- 3 791,90	- 3 977,32	- 4 539,00	- 2 137,00	- 331,00	- 421,00
Net (income) loss attributable to noncontrolling interests	*n.a.*	49,50	316,63	*n.a.*	510,15	704,50	193,00	261,00	35,00	48,00
Other comprehensive (income) loss attributable to noncontrolling interests	*n.a.*	0,77	18,93	*n.a.*	-1,11	- 23,16	35,00	22,00	*n.a.*	4,00
Comprehensive loss attributable to Legacy WeWork	- 420,23	- 901,92	- 1 584,20	*n.a.*	- 3 282,86	- 3 295,98	- 4 311,00	- 1 854,00	- 296,00	- 369,00

Source: Own illustration based on WeWork's S-1 Filing and Official Annual Reports

Exhibit 11. WeWork's Balance Sheet

(Amounts in millions, except share and per share amounts)	2017	2018	H1 2019	2020	2021	2022	Q1 2023	Q2 2023
Assets								
Current assets:								
Cash and cash equivalents	2 020,81	1 744,21	2 473,07	800,54	924,00	287,00	224,00	205,00
Accounts receivable and accrued revenue	35,582	99,525	181,049	176,52	130,00	109,00	107,00	118,00
Prepaid expenses	*n.a.*	*n.a.*	*n.a.*	162,84	180,00	138,00	139,00	135,00
Lease incentives receivable	117,779	232,243	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Due from related parties	1,200	2,500	1,4120	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Other current assets	251,73	385,60	376,79	189,33	238,00	155,00	368,00	286,00
Total current assets	2 427,10	2 464,08	3 032,32	1 329,23	1 472,00	689,00	838,00	744,00
Property and equipment, net	2 337,09	4 368,77	6 729,43	6 859,16	5 374,00	4 391,00	4 193,00	3 860,00
Deferred lease acquisition costs, net	31,03	69,39	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Lease right-of-use assets, net	*n.a.*	*n.a.*	15 112,85	15 107,88	13 052,00	11 243,00	10 399,00	9 275,00
Restricted Cash	150,31	419,73	575,60	53,62	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Equity method and other investments	57,22	218,44	186,01	214,94	200,00	63,00	60,00	49,00
Goodwill and Intangible Assets	240,64	840,16	1 046,48	729,25	734,00	737,00	736,00	735,00
Other assets	120,69	264,35	364,55	1 062,26	924,00	740,00	723,00	400,00
Total Assets	5 364,07	8 644,92	27 047,24	25 356,33	21 756,00	17 863,00	16 949,00	15 063,00
Liabilities:								
Current liabilities:								
Accounts payable and accrued expenses	314,27	826,40	1 294,50	723,41	621,00	526,00	495,00	455,00
Members' service retainers	195,08	396,86	498,93	358,57	421,00	445,00	440,00	434,00
Deferred revenue	48,85	113,24	170,46	176,00	120,00	151,00	127,00	112,00
Capital lease obligations	1,65	1,96	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Current lease obligations	*n.a.*	*n.a.*	535,95	847,53	893,00	936,00	918,00	883,00
Loans payable to related parties	26,09	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Other current liabilities	64,65	270,64	103,31	83,76	78,00	172,00	295,00	305,00
Total current liabilities	650,59	1 609,09	2 603,15	2 189,27	2 133,00	2 230,00	2 275,00	2 189,00
Capital lease obligations	50,76	50,79	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Long-term lease obligations			17 916,80	20 263,61	17 926,00	15 598,00	14 564,00	13 280,00
Deferred rent	1 636,59	2 831,75	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Convertible related party liabilities, net	*n.a.*	949,99	2 665,20	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Unsecured notes payable	*n.a.*	*n.a.*	*n.a.*	1 200,00	2 200,00	*n.a.*	*n.a.*	*n.a.*
Warrant liabilities, net	*n.a.*	*n.a.*	*n.a.*	418,91	16,00	*n.a.*	*n.a.*	*n.a.*
Long-term debt, net	*n.a.*	748,81	1 342,66	688,36	666,00	3 208,00	3 576,00	2 910,00
Other liabilities	64,10	91,17	113,94	221,78	228,00	282,00	320,00	277,00
Deferred income taxes	4,47	2,57	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Total Liabilities	2 406,51	6 284,16	24 641,75	24 981,92	23 169,00	21 318,00	20 735,00	18 656,00
Commitments and contingencies								
Convertible preferred stock	3 405,44	3 498,70	3 591,09	7 666,10	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Redeemable noncontrolling interests	854,58	1 320,64	1 113,81	380,24	36,00	- 20,00	- 24,00	- 33,00
Equity:								
WeWork Inc. shareholders' equity (deficit):								
Preferred stock	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Common stock Class A	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Common stock Class B	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Common stock Class C	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Common stock Class D	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*
Treasury stock, at cost	*n.a.*	*n.a.*	*n.a.*	*n.a.*	- 29,00	- 29,00	- 29,00	- 29,00
Additional paid-in capital	407,80	797,96	1 402,69	2 188,50	12 321,00	12 387,00	12 390,00	13 004,00
Accumulated other comprehensive income (loss)	- 9,92	15,51	18,05	- 158,81	- 31,00	149,00	117,00	97,00
Accumulated deficit	- 1 700,49	-3 311,29	-3 999,26	- 9 703,49	- 14 143,00	- 16 177,00	-16 441,00	-16 790,00
Total WeWork Inc. shareholders' deficit	- 1 302,45	-2 497,65	-2 578,35	- 7 673,79	- 1 882,00	3 670,00	3 963,00	- 3 718,00
Noncontrolling interests	*n.a.*	39,07	278,95	1,86	433,00	235,00	201,00	158,00
Total Equity	- 1 302,45	-2 458,58	-2 299,40	- 7 671,92	- 1 449,00	- 3 435,00	- 3 762,00	- 3 560,00
Total Liabilities and Equity	5 364,07	8 644,92	27 047,24	25 356,33	21 756,00	17 863,00	16 949,00	15 063,00

Source: Own illustration based on WeWork's S-1 Filing and Official Annual Reports

Exhibit 12. WeWork’s Cashflow Statement

(Amounts in millions, except share and per share amounts)	2016	2017	2018	H1 2019
Cash Flow from Operating Activities:				
Net loss	-429,69	-933,49	-1 927,42	-904,65
Adjustments to reconcile net loss to net cash from oper. activities:				
Depreciation and amortization	88,952	162,892	313,514	255,924
Impairment of property and equipment	*n.a.*	6,797	29,572	9,483
Stock-based compensation expense	22,660	295,362	69,400	188,335
Cash paid to settle employee stock for services rendered	*n.a.*	*n.a.*	-13,94	*n.a.*
Issuance of common stock for services rendered	1,594	7,327	18,957	10,4770
Noncash interest expense	2,436	3,673	127,716	12,46
Provision for allowance for doubtful accounts	2,317	4,546	6,722	4,70
(Income) loss from equity method and other investments	0,359	30,900	12,638	2,56
Foreign currency (gain) loss	23,415	-29,419	80,587	-4,66
Change in fair value of financial instruments	*n.a.*	*n.a.*	*n.a.*	-486,15
Contingent consideration fair market value adjustment	*n.a.*	*n.a.*	76,439	-43,08
Changes in operating assets and liabilities:				
Operating lease right-of-use assets	*n.a.*	*n.a.*	*n.a.*	-3 488,84
Current and long-term lease obligatioms	*n.a.*	*n.a.*	*n.a.*	4 266,84
Accounts receivable and accrued revenue	-13,88	-22,05	-69,40	-83,26
Lease incentives receivable	46,234	-64,95	-121,73	*n.a.*
Deferred lease acquistion costs	-7,63	-18,26	-40,35	*n.a.*
Other assets	-29,53	-88,47	-211,69	-111,22
Accounts payable and accrued expenses	12,862	96,360	147,627	112,54
Deferred rent	451,344	752,063	1278,348	*n.a.*
Deferred revenue	5,505	35,348	54,782	76,92
Other liabilities	-0,04	13,39	1,62	-17,08
Deferred income taxes	*n.a.*	-8,03	-10,11	*n.a.*
Net cash provided by (used in) operating activities	176,91	243,99	-176,73	-198,71
Cash Flow from Investing Activities:				
Purchases of property and equipment	-776,07	-1 023,95	-2 055,02	-1 266,75
Capitalized software	-2,32	-8,39	-8,89	-17,73
Sale of software license	*n.a.*	*n.a.*	9,00	*n.a.*
Change in security deposits with landlords	-9,58	-67,12	-95,46	-88,85
Proceeds from sale or redemption of investments	*n.a.*	12,800	2,202	*n.a.*
Contributions to investments	-19,70	-56,48	-121,63	-19,71
Loans to employees and related parties	-10,27	9,80	-1,86	-2,82
Cash used for acquisitions	-0,58	-234,41	-204,14	-966,91
Net cash used in investing activities	-818,53	-1 367,77	-2 475,80	-2 362,77
Cash Flow from Financing Activities:				
Principal payments for property and equipment acquired under capital leases	-1,12	-1,35	-1,87	-1,65
Proceeds from issuance of debt	*n.a.*	*n.a.*	768,795	633,31
Proceeds from issuance of convertible related party liabilities	*n.a.*	*n.a.*	1000,000	2 500,00
Bond repurchase	*n.a.*	*n.a.*	*n.a.*	-32,35
Repayments of debt	*n.a.*	*n.a.*	-1,09	-1,34
Debt and equity issuance costs	-1,31	-3,57	-23,23	-35,51
Loans payable to related parties	*n.a.*	26,088	-27,55	*n.a.*
Proceeds from sale of Series F Preferred Stock and associated warrants	679,901	*n.a.*	*n.a.*	*n.a.*
Proceeds from sale of Series G Preferred Stock	*n.a.*	1697,761	*n.a.*	*n.a.*
Proceeds from exercise of stock options and warrants	1,228	8,939	3,505	34,29
Proceeds from issuance of noncontrolling interests	*n.a.*	900,003	747,91	243,48
Payments for contingent consideration and holdback of acquisition proceeds	*n.a.*	*n.a.*	-14,44	-11,62
Change in members' service retainers	49,201	96,442	206,431	101,64
Net cash provided by financing activities	727,908	2724,315	2658,469	3 430,26
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	-2,26	-763,00	-13,12	15,96
Net increase (decrease) in cash, cash equivalents, and restricted cash	84,027	1590,777	-7,18	884,73
Cash, cash equivalents, and restricted cash—Beginning of period	496,315	580,342	2171,119	2 163,94
Cash, cash equivalents, and restricted cash—End of period	580,342	2171,119	2163,942	3 048,67
Supplemental Cash Flow Disclosures:				
Cash paid during the period for interest	4,656	6,685	41,326	*n.a.*
Cash paid during the period for income taxes, net of refunds	0,008	0,011	4,376	*n.a.*
Cash received for tenant improvement allowances	325,294	452,090	673,415	*n.a.*
Supplemental Disclosure of Non-cash Investing & Financing Activities:				
Property and equipment included in accounts payable and accrued expenses	76,740	174,747	485,037	*n.a.*
Issuance of common and preferred shares for acquisitions	*n.a.*	23,367	274,118	*n.a.*
Acquisition consideration holdback included in other liabilities	*n.a.*	22,189	43,156	*n.a.*
Issuance of common shares for equity method and other investments	1,147	*n.a.*	*n.a.*	*n.a.*
Issuance of shares for goods received capitalized in property and equipment	*n.a.*	0,901	1,087	*n.a.*
Transfer of acquisition deposit to contribution to equity method investment	*n.a.*	*n.a.*	52,858	*n.a.*
Net loss on issuance of Series G Preferred Stock	*n.a.*	16,481	*n.a.*	*n.a.*
Vesting of shares related to early exercise of stock options	0,573	0,21	0,105	*n.a.*
Common share repurchase and retirement	6,374	0,454	0,289	*n.a.*

Source: Own illustration based on WeWork’s S-1 Filing and Official Annual Reports

Exhibit 13. WeWork's Real Estate Comparable Publicly Listed Companies (GICS)

Dec-18

Name	Market Cap ($M)	Sales ($M)	P/E	P/Book	P/Sales	EV/Sales
International Workplace Group PLC	2 383,2	3 207,0	23,75x	2,49x	0,79x	0,97x
Leopalace21 Corporation	2 105,3	4 791,3	15,29x	1,40x	0,43x	0,32x
Aeon Mall Corporation Ltd	4 766,8	2 586,5	16,66x	1,36x	1,77x	3,02x
Hulic Corporation Ltd	5 915,5	2 604,5	13,10x	1,62x	2,26x	5,55x
A-living Smart City Services Corporation Ltd	1 807,9	510,9	15,04x	2,29x	3,58x	2,28x
Hong-Kong Land Holdings Ltd	14 703,6	2 665,4	6,00x	0,38x	5,54x	6,86x
GreenTown Service Group Corporation Ltd	2 128,0	1 015,2	31,00x	6,29x	2,18x	1,87x
Red Star Macalline Group Corporation Ltd	3 045,9	2 154,4	4,73x	0,50x	1,49x	3,38x
Haesung Industrial Corporation Ltd	91,8	13,6	135,71x	0,72x	6,84x	8,73x
SM Prime Holdings Incorporation	19 739,9	1 976,5	32,11x	3,76x	9,92x	11,73x
Hang Lung Group Ltd	3 467,5	1 277,8	5,14x	0,31x	2,71x	11,16x
Swire Properties Ltd	20 540,2	1 878,0	5,61x	0,58x	10,93x	13,10x
Deutsche Wohnen SE	16 353,5	1 486,1	-	1,24x	11,31x	18,58x
AroundTown AS	9 331,5	882,4	-	0,87x	10,17x	20,00x
Wharf Real Estate Investments Corporation Ltd	18 160,5	2 102,8	7,89x	0,65x	8,63x	11,36x
MEAN	8 302,74	1 943,49	24,00x	1,63x	5,24x	7,93x
MEDIAN	4 766,80	1 976,50	15,04x	1,24x	3,58x	6,86x
1st QUARTILE (25% percentil)	2 255,60	1 146,50	6,00x	0,62x	1,98x	2,65x
3rd QUARTILE (75% percentil)	15 528,55	2 595,50	23,75x	1,96x	9,28x	11,55x

Source: Own illustration based on selected Bloomberg information

Exhibit 14. WeWork's Revenue Dispersion

(Amounts in thousands)	Year Ended December 31, 2016	2017	2018
Revenue:			
United States	$ 330,554	$ 607,332	$ 1,073,680
United Kingdom	81,176	153,095	275,615
Greater China	2,883	30,057	99,529
Other foreign countries	21,486	95,520	372,927
Total revenue	$ 436,099	$ 886,004	$ 1,821,751

Source: WeWork S-1 Filing

Exhibit 15. WeWork's Technology Comparable Publicly Listed Companies

Dec-18

Name	Market Cap ($M)	Sales ($M)	P/E	P/Book	P/Sales	EV/Sales
Meta (Facebook)	374 130,9	55 838,0	17,32x	4,45x	6,78x	5,96x
Apple	1 073 390,5	262 595,0	19,02x	10,02x	4,21x	3,58x
Amazon	737 467,3	232 887,0	74,54x	16,93x	3,14x	3,20x
Netflix	116 860,0	15 794,3	99,87x	22,31x	7,38x	7,81x
Google	723 340,7	136 819,0	23,94x	4,09x	5,31x	4,52x
MEAN	605 037,88	140 786,66	46,94x	11,56x	5,36x	5,01x
MEDIAN	723 340,70	136 819,00	23,94x	10,02x	5,31x	4,52x
1st QUARTILE (25% percentil)	374 130,90	55 838,00	19,02x	4,45x	4,21x	3,58x
3rd QUARTILE (75% percentil)	737 467,30	232 887,00	74,54x	16,93x	6,78x	5,96x

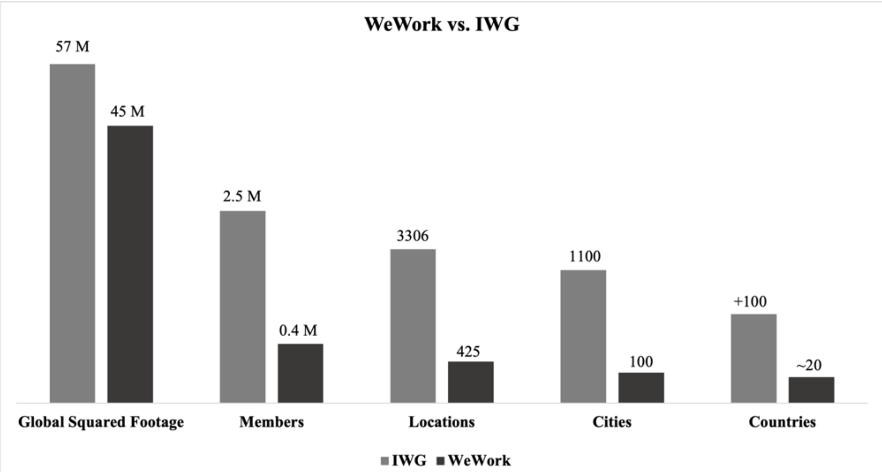
Source: Own illustration based on selected Bloomberg information

Exhibit 16. WeWork's Equity Value Comparison

EV/SALES		
WeWork Sales 2018 (M)	$	1 821,75
WeWork Net Debt (Book Value) 2018 (M)	$	-942,65
Real Estate Comparable Companies		
Mean U.S. Real Estate Industry		1,44x
WeWork Enterprise Value US (M)	$	2 623,32
WeWork Equity Value US (M)	**$**	**3 565,97**
Technology Comparable Companies		
Mean FAANG Companies		5,01x
WeWork Enterprise Value US (M)	$	9 134,26
WeWork Equity Value US (M)	**$**	**10 076,91**

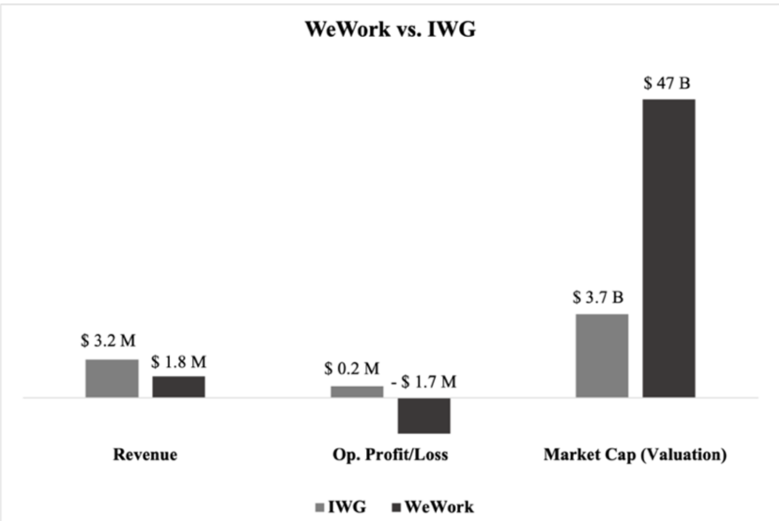
Source: Own illustration

Exhibit 17. Direct Comparison between WeWork and IWG in the end of 2018 (i)



Source: Own illustration based on selected information from Regus Annual Report (2018) and WeWork S-1 Filing

Exhibit 18. Direct Comparison between WeWork and IWG in the end of 2018 (ii)



Source: Own illustration based on selected information from Regus Annual Report (2018) and WeWork S-1 Filing

Exhibit 19. Direct Comparison between WeWork and IWG in the end of 2018 (iii)

	IWG	WeWork
Total Lease Commitments	8B	34B
% of Lease Commitments > 5 years	37%	70%
Number of Cities	1100	100

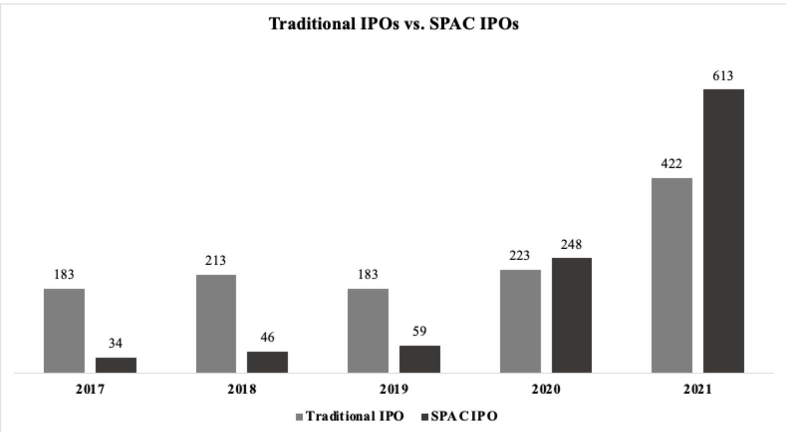
Source: Own illustration based on selected information from Regus Annual Report (2018) and WeWork S-1 Filing

Exhibit 20. Justifications for Excluding WeWork from the Technology Company Category

Feature	Explanation
Low variable costs	Tech giants operate scalable virtual models with minimal additional costs for exponential expansion. This contrasts sharply with WeWork, whose operational expenses, including rent, utilities, and amenities, result in relatively low-profit margins
Low capital investments	Unlike traditional tech companies with minimal physical assets, WeWork's business model, revolving around office space rental, demands substantial capital for development and furnishing. This creates higher capital requirements and depreciation expenses, making the comparison with asset-light tech companies less applicable
Extensive customer data and intimacy	Leading tech companies capitalize on extensive customer data for targeted advertising and personalized solutions. In contrast, it remains uncertain whether WeWork can collect and utilize such data without violating privacy laws.
Network effects	While network effects significantly enhance the value of most tech companies, WeWork's global office network does not offer the same exponential benefits, as joining WeWork in one location does not necessarily enhance the experience or collaboration potential for members in distant regions.
Ecosystems that boost expansion with little cost	Successful tech companies leverage customer relationships and data to expand services through ecosystem partners. WeWork's potential to expand into other real estate areas, such as apartments or schools, would necessitate substantial investments, contrasting with tech companies that can extend offerings with minimal investment.

Source: Own illustration based on selected Harvard Business Review Information

Exhibit 21. Number of Traditional IPOs vs. SPAC IPOs



Source: Own illustration based on selected Statista and SPAC Analytics Information

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