WeWork and the Supernova CEO

HOW ADAM NEUMANN BURNED BRIGHT AND FLAMED OUT

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Table of Contents

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Abstract

Adam Neumann founded WeWork with his partner Miguel McKelvey in New York City in 2010. The real estate company provides shared work spaces for startups, companies, and independent workers. The charismatic Neumann led rapid, massive growth, selling lofty promises of a radically improved work experience in the form of real estate. The company reached a $47 billion valuation in 2019, and then they started the IPO process. Through S1 filing, analysts looked under the hood of this unicorn business and found it was running on fumes. The IPO failed, valuation fell to $7 billion, Neumann was ousted, and WeWork's biggest investor, SoftBank, took over management in the fall of 2019.

Problem: WeWork went from a glitzy, exciting company making changes in the way people do their work to a failure that lost money and couldn't meet investor expectations. Now SoftBank must repair operations and reputation to minimize loss.

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History

In 2008, Adam Neumann was creating baby clothes for his own company, Krawlers, in a partially empty office building in Brooklyn. Things weren't going well. In those early days of the great recession, the market for knee-padded baby garments wasn't quite paying the bills. So he sublet part of his office space to other businesses to make rent. An idea was born.

Miguel McKelvey worked as an architect in the same building. The work neighbors saw opportunity in the vacant space around them and launched GreenDesk, the precursor to WeWork, in 2008. They rented empty space from their landlord and furnished coworking spaces to rent out to independent entrepreneurs. The hook was sustainability, featuring recycled furniture and wind-powered energy. The team sold the company to their landlord and took what they'd learned to the next level.

Neumann and McKelvey launched WeWork in 2010, offering coworking spaces that combined the best of green office design, the amenities of a health club, and the community of an entrepreneurial fraternity house. Design and amenities evolved with the times, but glass walls, beer and cold-brew on tap, game tables, and hammocks were emblematic of these spaces. Through design and communication, WeWork invited customers to make a life, not just a living. Sustainability the baseline; community was the hook. The brand promise was aspirational—ideal office space with fractions of the overhead, to work remotely or independently around like-minded creative geniuses and ride the technology wave into the future.

The Context

After years of growth, the economy crashed in September 2008. Once-thriving businesses could no longer afford rent, much less productively fill, their previous office footprints. Qualified professionals found themselves out of steady work and ready to take on one job at a time, launching free-lance careers and independent endeavors. This was the beginning of the gig economy and, as it seemed, the end of the office as we knew it. In the recession that followed, "Neumann had the foresight to bet landlords would need tenants, and that legions of underemployed professionals would pay for an appealing alternative to working from a Starbucks while they got back on their feet" (Sherman, 2019).

WeWork came on the scene as people were figuring out how to work on their own, businesses were scaling back, and a wave of tech-driven disrupters was about to fill the economic void of the Great Recession.

The Product

WeWork rents co-working office space to individuals and teams. One freelancer can rent a desk in a common space for a day. Businesses can contract office suites or even custom buildouts. Whatever you need an office to be, WeWork promises to meet that need. WeWork is a real estate business, but Neumann sold more—energy, community, and aspiration. As early funder Bruce Dunlevie put it to Neumann, "you're not selling coworking, you're selling an energy I've never felt" (Sherman, 2019).

The company's stated mission is to "Create a world where people work to make a life, not just a living" (WeWork). They declare that from their inception, "we wanted to build more than beautiful, shared office spaces. We wanted to build a community. A place you join as an individual, 'me', but where you become part of a greater 'we'. A place where we're redefining success measured by personal fulfillment, not just the bottom line. Community is our catalyst" (WeWork). The company describes its values-based approach as: inspired, entrepreneurial, authentic, tenacious, grateful, and collective (WeWork).

Flexibility is a cornerstone of WeWork's value proposition. As their website advertises, "Free your balance sheet and future-proof your real estate portfolio by tapping into the space you need, when you need it" (WeWork). WeWork takes on that future risk and balance-sheet obligation. The business model is renting out lots and lots of empty space, mainly on long-term leases, then dividing it up and renting space to workers at a markup on a short-term basis.

The Man in Front of the Curtain

Adam Neumann grew up on a kibbutz in Israel and moved to New York with his model sister in 2000. He is tall, dark, handsome, and idealistic. The communal ethos of his upbringing informed the spirit he instilled in WeWork—people bringing out the best of each other and the best of themselves, to work toward a better future together. Neumann walks into any room—from a tech conference to a meeting with world leaders—rocking shoulder-length hair, a t-shirt and jeans. Neumann sold everyone he met on WeWork's value in the form of charm, community, and dreams—none of which show up on a balance sheet. As one journalist explains, "It's hard to overstate the degree to which WeWork's business is built on the egomaniacal glamour and millennial mysticism of Neumann and his wife. Neumann sold WeWork not merely as a real estate play. It wasn't even a tech company (though he said it should be valued as such). It was a movement, complete with its own catechisms ('What is your superpower?' was one)" (Sherman, 2019).

He called WeWork a community company and declared, "'We are here in order to change the world.… Nothing less than that interests me'" (Wiedemanm 2019). Neumann didn't plan to take the company public or ever cede control. In the event of his demise, it was written into bylaws that his wife Rebekah would essentially select his successor, and he envisioned his heirs running We centuries into the future. The Neumann lifestyle was a non-stop party, usually complete with $149-a-bottle Don Julio tequila and marijuana, which he was known to smoke in the office and on company travel time (Campbell, 2019).

With Neumann at the forefront, everyone from employees to funders were sold, and didn't ask too many questions. "There was always this assumption that, behind Adam, there was someone intelligent—a group of people—who were watching and making the practical, financial decisions; that someone was taking care of it," one employee recalls of the general perception (Widdicombe, 2019). It wouldn't be long, though, before fiscal reality tore the curtain down to reveal nothing but smoke and mirrors.

Funding and Growth

Neumann's charisma hooked powerful funders including Bruce Dunlevie of Benchmark Capital and JPMorgan's Jamie Dimon. With Dunlevie's direction, Benchmark led a Series A funding round of $17 million. Deep in growth mode, "WeWork shot up to 1.5 million square feet of space and 10,000 members by 2014" (Aydin, 2019). By the fall of 2015, business media was hailing WeWork as "The Most Valuable Startup in New York City" (Kasoff, 2015). With "$9.69 in funding at a $10 billion valuation," WeWork was the eleventh most valuable startup in the world (Kasoff, 2015). Coverage lavished Neumann with praise, depicting a visionary leading a limitless organization. WeWork was growing at rapid but reasonable startup pace. Then Masayoshi Son came into the picture.

Korean-Japanese investor Son had backed e-commerce giant Alibaba back in 2000, when his $20 million investment grew that into a $200 billion business (Aydin, 2019). Son's firm, SoftBank, invested big in tech startups, chasing another massive success. For most of the 2010s, that seemed like a smart bet. This was the age of tech unicorns—billion-dollar companies growing out of Silicon Valley garages. SoftBank wasn't the only one backing disruptors like Uber, which seemed to promise nothing but growth. Son was attracted to novelty, focusing "investments on capital intensive, low-margin, mature businesses wrapped in a patina of technology that, for all the hype, don't fundamentally improve weak operating economics" (Sherman, 2019).

So when Neumann caught Son's eye in 2018, he had every reason to throw his money into WeWork. Within a year of meeting Neumann, Son invested his first $4.4 billion in WeWork. SoftBank would eventually provide $11 billion in funding, paving the way for outsize growth and influence from Son (Leonard, 2019).

By the summer of 2018, Neumann had won over stakeholders in every corner: investors, renters, employees, reporters. With SoftBank's money and the admiration of the world, WeWork seemed untouchable. The spending spree went beyond acquisitions and growth. WeWork sold a lifestyle, and now they had the cash to show it off. They lavished employees with luxury travel, live inspiration from the likes of Deepak Chopra, and a concert by music star Lorde on a fancy (mandatory) retreat (Widdicombe, 2019).

Catching Up

With Son's money and mandate to grow, Neumann brought a tech-startup ethos to the slow and steady real estate world. Without much mind to the logistics, they bulldozed into the temporary office space market which "has traditionally been modestly profitable, slow-growing, and subject to business-cycle risk. Thanks to SoftBank's nearly $11 billion injection, WeWork embarked on a frenetic worldwide expansion spree" (Sherman, 2019).

Neumann and his sales and marketing team were selling tech-speed growth in the form of real estate. Engineers and architects were tasked with making real-life offices on pace with Silicon Valley expectations. Employees worked around the clock to turn promises made in tech fantasy land to bricks and mortar.

Reality checks weren't welcome in the C-suite, though: "Executives say that when they tried to convince Neumann to proceed more cautiously, he would become enraged, calling them 'B players.' One former manager recalls being publicly berated, and later having his job title stripped, after trying to persuade Neumann to rethink a particular strategy that did not have enough staffing to be executed properly. Others who argued with Neumann would get barred from meetings, pointedly ignored, or iced out of conversations" (Brooker, November 2019).

Business analysts began to see reason for concern near the end of 2018. When SoftBank's revenue streams hit a snag, Son had to reduce a planned massive cash infusion just before Christmas. SoftBank still had more than $10 billion in WeWork, but economic reality began to creep in when Son could only put up $2 billion of what could have been a $20 billion investment. This stumble in funding made room for skepticism about "a company that [had] fueled much of its growth from its ability to raise and spend billions" (Brooker, January 2019). The long-term business plan looked less viable as economists predicted a looming economic downturn the likes of which WeWork had never seen, and lease prices declined in nearly all of WeWork's cities (Brooker, January 2019).

Neumann pressed on and led expansion beyond real estate. In January 2019, WeWork officially rebranded as the We Company. Under the We umbrella, the organization would reach beyond commercial real estate and into "all aspects of people's lives, in both physical and digital worlds" (Brooker, January 2019). New business branches included residential co-living (WeLive), and WeGrow, the "conscious entrepreneurial school" brainchild of Rebekah Neumann (Brooker, January 2019) (Aydin, 2019). Among Neumann's ambitions, though, these were just the first to come to fruition. He envisioned "everything from WeSleep to WeSail to WeBank" (Brooker, January 2019).

Despite logistical and technical (read: practical) issues, WeWork's star was still rising. Going into the summer of 2019, WeWork had "466,000 members working out of 485 locations in more than 100 cities in 28 countries" (Wiedeman, 2019). (See Appendix A.) The company was valued at $47 billion and ready to float an IPO with the support of respected bankers JPMorgan and Goldman Sachs (Campbell, 2019).

S1 Fallout

The We Company's S1 filing prospectus went public on August 14, 2019. (See Appendix B.) Analysts and journalists quickly discovered the man in front of the curtain was putting on a big, expensive show, and there really wasn't anyone behind him making sure it all worked.

The prospectus revealed countless weaknesses and liabilities within the We business plan and operations. The company had lost $900 million in the first half of 2019. Neumann held nearly all the voting power, and his wife Rebekah was appointed to select his successor in the event of his demise. Neumann and WeWork's reputations tanked as analysts discovered the promising valuation had been artificially inflated by SoftBank's bankrolling (Brooker, November 2019).

Things might have gone differently earlier on in the age of disruption. Wall Street could once imagine limitless growth to startups like Uber. Then the ride-sharing company made a dismal showing its IPO, "lost more money faster than just about any startup in history," and shed more than a third of its value in its first five months as a public company (Sherman, 2019). The disastrous Fyre Festival was still fresh in collective memory—another example of lofty promises sold via tech with nothing to back them up. Thousands had fallen for glossy social advertising and shelled out hundreds and thousands of dollars to fly to the Bahamas, only to be met with leaky tents, terrible food, insufficient bathrooms, and no entertainment. The organizers wasted $26 million of investor's money in their massive scam (Huddleston, 2019). Med-tech marvel Theranos had fallen apart the prior year when the SEC discovered that founder Elizabeth Holmes had raised more than $700 million in funding for non-existent technology (Securities and Exchange Commission, 2018). (See Appendix C.) Neumann's IPO attempt came at "precisely the wrong time to be the visionary leader of a company with imperial dreams and obscure finances" (Campbell, 2019). In the fall of 2019, investors weren't falling for the hype.

Rampant conflicts of interest were among some of the most damning details in the prospectus. WeWork was renting space in buildings Neumann partially owned and bankrolling his lavish lifestyle. He'd repeatedly taken loans (in the hundreds of millions of dollars) from the company on extremely favorable terms. When it rebranded as the We Company, the organization had paid $5.9 million to license the "We" trademark. The prospectus revealed Neumann owned the holding company that owned the trademark. He would eventually return that $5.9 million under pressure.

People loved Neumann for being the life of the party. But in the light of the S1 details, his "tech-bro mysticism" went from strength to weakness (Campbell, 2019). Neumann had bought multiple million-dollar homes all in the New York City area. He'd spent $60 million of WeWork's money on a Gulfstream jet that traveled from London to Tokyo and everywhere in between (Campbell, 2019).

Just as troubling as the details the prospectus did disclose were those it tried to hide. One expert analyst called the report a "masterpiece of obfuscation" in the week following its release (Singer, 2019). Dates and budgets for WeWork locations were missing. The report did not follow generally accepted accounting principles and used made up metrics to spin numbers. Expenses like sales, marketing, and even some salaries were reported inconsistently in different categories, artificially lowering the reported operating costs (Singer, 2019).

The prospectus essentially revealed a flawed business model that, if it continued on this path, would continue losing money. WeWork "was on the hook for $47 billion in future lease payments to building owners while having committed revenue of only $4 billion. Last year's loss jumped to $1.9 billion on revenue of $1.8 billion — for every dollar it made, it was spending two" (Campbell, 2019).

With its grand ambitions and ideas of following in Amazon's footsteps, the We Company didn't seem concerned about its losses, stating in the filing: "'We have a history of losses and, especially if we continue to grow at an accelerated rate, we may be unable to achieve profitability at a company level for the foreseeable future'" (Campbell, 2019).

Bankers, media, and analysts agreed WeWork would have to reduce its valuation, and the stock went from a rising star to junk territory.

Neumann pushed on as crisis mounted. It wasn't that he wanted We to go public. He'd always wanted to maintain total control, evidenced by the 20-times weight his shares provided him in voting. But he needed cash. While SoftBank pushed for scrapping the IPO, JPMorgan insisted on full disclosure, and valuation plummeted, Neumann was determined to get the IPO listed. But even with SoftBank's reluctant support, it became clear that the IPO would not raise sufficient funds to continue operations.

In the midst of the storm, Neumann appealed to his team with humility, admitting in an internal webcast that the way he'd run WeWork as his own wouldn't translate to running a public company. He knew he had to adapt, but he still believed he could.

Then, on September 18, a Wall Street Journal article connected the dots between Neumann's wild side and inability to responsibly run a company. The article detailed his alcohol and drug use on company time, "and of a layoffs discussion followed with tequila shots and a performance by a member of Run-DMC" (Campbell, 2019). Neumann officially lost the luminary-status that had been the key to his success. Even Neumann's closest advisors and biggest supporters decided it was time for him to go.

Nuemann resigned on September 24, and WeWork withdrew its initial public offering on September 30 (Eavis and de la Merced, 2019).

Employee Communications

While the world watched WeWork's IPO crash and burn, 12,500 employees waited in the balance. The workers Neumann had once won over with charm and charisma and treated to beer-on-demand, trans-Atlantic summer vacation, and rock-star performances now knew their jobs dangled by a string.

In those early days, "layoffs hadn't been announced yet, but signs of belt-tightening were visible: free breakfasts had been reduced at the company's office in the Financial District. Meditation classes had been pared back." Morale was somber as a newly installed SoftBank executive promised "bumpy roads" ahead (Widdicombe, 2019).

Frustrated employees facing uncertainty loosely organized as the WeWork Coalition, gathering around 500 workers over virtual channels. The coalition sent an open letter to leadership on November 5 asking "'to be treated with humanity and dignity so we can continue living life while searching to make a living elsewhere.'" (Scheiber, Eavis, and Yaffe-Bellany, 2019). These employees expressed disappointment and disillusionment in the crushing reality that the WeWork promises were never backed up with behavior. One software engineer described a "'looming sense of betrayal and frustration'" that the ideals of making a life not a living, building community, and being better together that the company espoused were never actually followed (Sheiber et al., 2019). Newly-installed Executive Chairman Marcelo Claure's response indicated that he took employees' concerns seriously, but he did not provide details or agree to their request to meet. Public response came through a spokesperson, who said Mr. Claure "'cares deeply about our employees and treating those who are laid off as part of the restructuring fairly, with dignity and respect.' She said he welcomed 'feedback' from employees." (Scheiber et al, 2019). Leadership would lay off 2,400 employees on November 21, with plans to eventually eliminate a third of their workforce (Eavis, 2019).

Professionals had to return to the "relatively staid fields of real-estate development, design, and construction" after a whirlwind ride "aboard a Silicon Valley unicorn: with stock options and twenty-five-year-old bosses, 'hackathons' and free beer" (Widdicombe, 2019). It was fun while it lasted, but the party was over.

The New Future of We

Neumann was paid around $3 billion to walk away. That included a $1.7 billion severance payment, $1 billion to purchase his stocks, and a $500 million credit line (Kelly, 2019). A team of SoftBank executives took the helm and began work to refocus the We Company "on its core business of renting office space, and getting rid of side businesses such as Rebekah Neumann's school to control costs and — perhaps — restore investor confidence" (Campbell, 2019).

The future of WeWork is far from certain. SoftBank hopes to rescue the firm with continued funding and new leadership, either for a profitable sale or at least mitigation of risk.

Although growth has slowed significantly, WeWork is still in the business of renting coworking space, and the company indicates it will continue to do so. WeWork must now closely review everything that was built in a hurry. Through restructuring, cost-cutting, and a narrowed focus on profitable pursuits, they will work toward a sustainable business model. New leadership is now tasked with honoring lease commitments, not taking on more debt, and turning a profit.

Son has framed the failed IPO as a setback, and WeWork as a learning experience. As he told Forbes six months after the IPO was withdrawn, "We paid too much valuation for WeWork, and we did too much believe in the entrepreneur. But I think even with WeWork, we're now confident that we put in new management, a new plan, and we're going to turn it around and make a decent return" (Konrad, Alex).

New Executive Chairman Marcelo Claure has experience turning around SoftBank investments. He was made chief executive of SoftBank-backed Sprint and managed critical improvements before a profitable sale (Edgecliffe-Johnson; Platt, Eric; Inagaki, Kana; Evans, Judith, 2019). Now he needs to bring that same level of improvement to WeWork and "prove that a company that has never made a profit can do so, and avert the need to keep raising fresh funds" (Konrad, 2020). Although they're confident that WeWork can turn a profit, they're contending with investor belief that "the fundamental business model of taking on long-term leases and signing up short-term tenants isn't sustainable" (Sherman, 2019). Whether or not the team will effectively wield every tool in their operational and communication arsenal to regain investor confidence and media respect in a changing world and shrinking economy remains to be seen.

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Public Relations

Appendix A

Growth over time

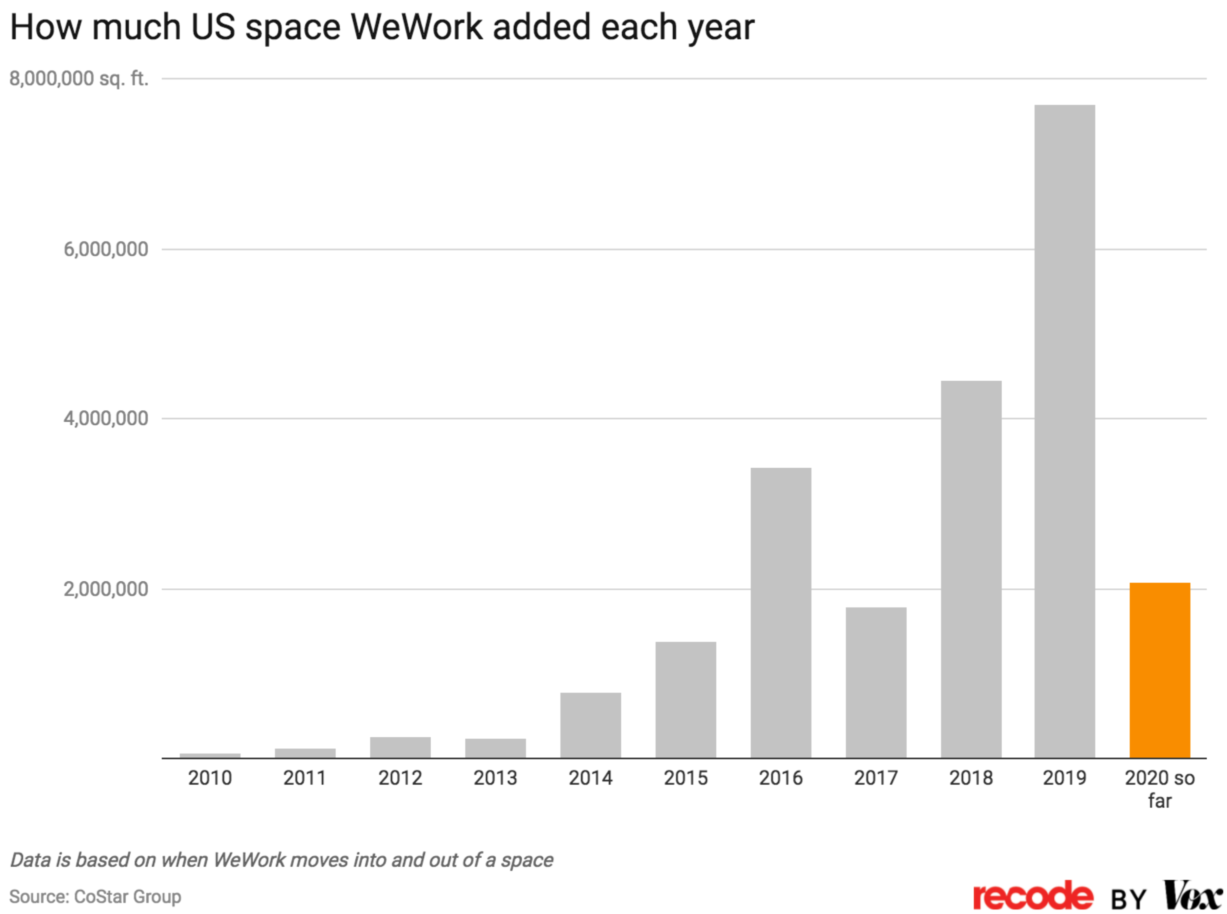

Figure 1. How much US space (by square foot) WeWork added each year. From CoStar Group. (Creator). (2020). *WeWork is still growing. That's not necessarily a good thing.* Retrieved 2020, April 29 from https://www.vox.com/recode/2020/1/8/21052001/wework-growth-us-new-york-real-estate.

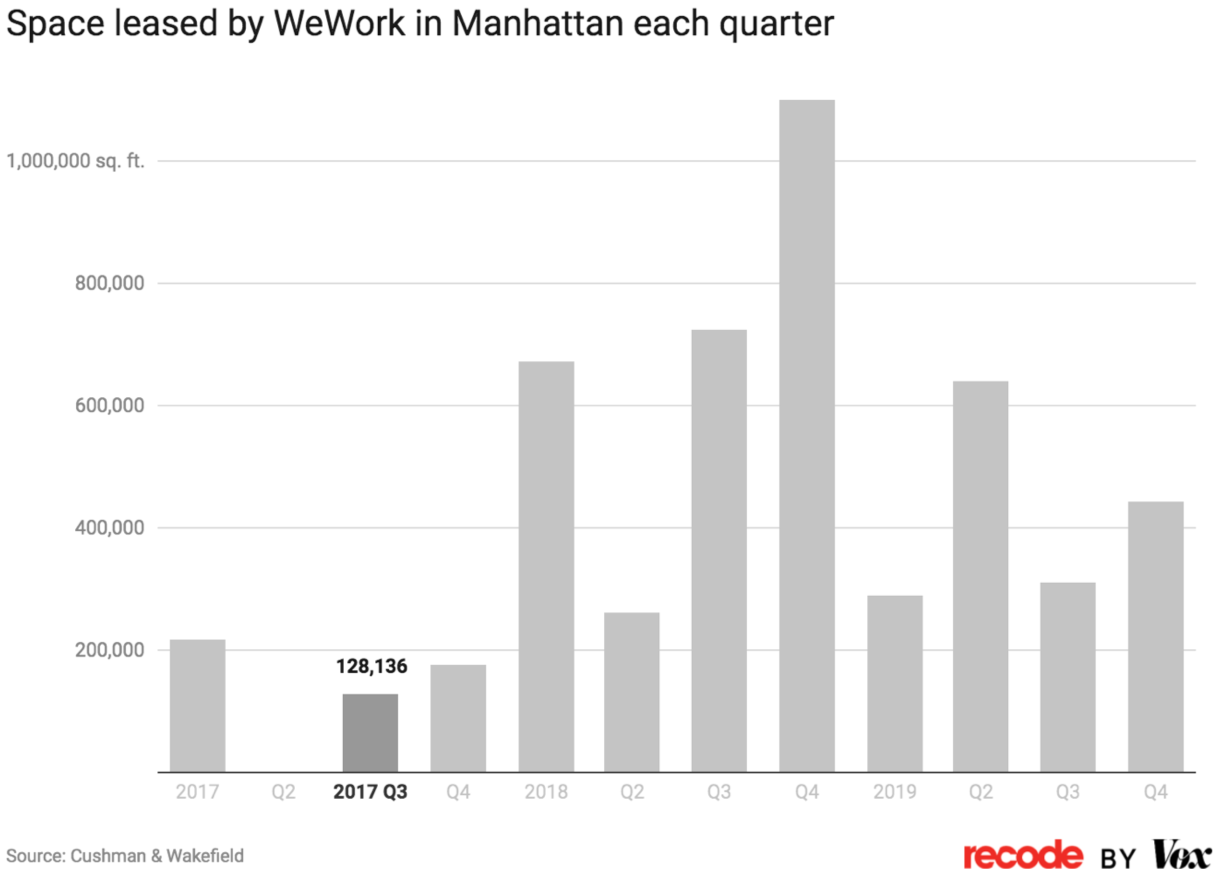

Figure 2. Space leased by WeWork in Manhattan each quarter. From Cushman & Wakefield (Creator). (2020). *WeWork is still growing. That's not necessarily a good thing.* Retrieved 2020, April 29 from https://www.vox.com/recode/2020/1/8/21052001/wework-growth-us-new-york-real-estate.

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Appendix B
S1 Highlights

As filed with the Securities and Exchange Commission on August 14, 2019.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

The We Company

(Exact name of registrant as specified in its charter)

Delaware	7380	61-1936163
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

115 West 18th Street
New York, New York 10011
Telephone: (646) 491-9060
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jennifer Berrent
Co-President and Chief Legal Officer
Jared DeMatteis
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115 West 18th Street
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Facsimile: (212) 455-2502

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.
If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

Figure 3. Form S1 Registration Statement. From The We Company. (Registrant). (2019). *Form S1 Registration Statement.* Retrieved April 29, 2020 from https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm#toc781982_1

Subject to completion, dated August 14, 2019

The information in this preliminary prospectus is not complete and may be changed. The securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

The We Company

Class A Common Stock — Shares

This is an initial public offering of Class A common stock by The We Company. The estimated initial public offering price is between $ and $ per share. We intend to list our Class A common stock on the (the " ") under the symbol "WE".

We have three classes of common stock: Class A common stock, Class B common stock and Class C common stock. The Class A common stock has one vote per share and the Class B common stock and Class C common stock (together, "high-vote stock") have twenty votes per share. Holders of our Class A common stock, Class B common stock and Class C common stock vote together as a single class on all matters, except as otherwise set forth in this prospectus or as required by applicable law. The holders of our outstanding shares of high-vote stock will hold approximately % of the voting power of our outstanding capital stock upon completion of this offering, and Adam Neumann, our Co-Founder and Chief Executive Officer, will hold or have the ability to control approximately % of the voting power of our outstanding capital stock upon completion of this offering. Following this offering, we will be a "controlled company" within the meaning of the corporate governance rules of the . We will be treated as an "emerging growth company" under the federal securities laws for certain purposes until we complete this offering. Investing in our Class A common stock involves risks. See "Risk factors" beginning on page 24.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total[1]
Initial public offering price	$	$
Underwriting discounts and commissions[2]	$	$
Proceeds to us, before expenses	$	$

(1) Assumes no exercise of the underwriters' option to purchase additional shares of our Class A common stock described below.
(2) See "Underwriting" for a description of compensation payable to the underwriters.

We have granted the underwriters an option for a period of 30 days following the date of this prospectus to purchase up to additional shares of Class A common stock. See "Underwriting".

The underwriters expect to deliver the shares of Class A common stock to purchasers on , 2019.

Prospectus dated , 2019.

Figure 4. S1 Introductory page. From The We Company. (Registrant). (2019). *Form S1 Registration Statement.* Retrieved April 29, 2020 from https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm#toc781982_1

Our Global Platform

	2010	2012	2014	2016	2018	Q2 2019
Locations	2	7	23	111	425	528
Cities	1	3	8	34	100	111
Memberships	450	4,000	15,000	87,000	401,000	527,000

Over 50%
of our members are outside of the United States

Figure 5. Global reach chart. From The We Company. (Registrant). (2019). *Form S1 Registration Statement.* Retrieved April 29, 2020 from https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm#toc781982_1

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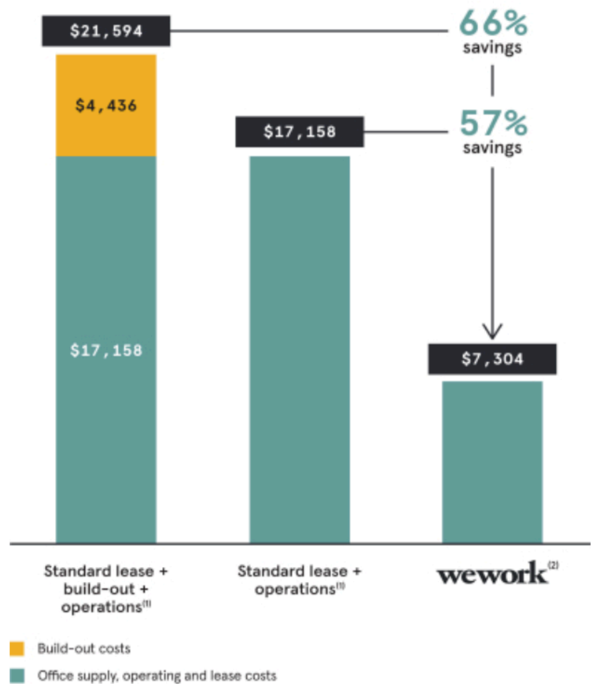
Technology is at the foundation of our global platform. Our purpose-built technology and operational expertise has allowed us to scale our core WeWork space-as-a-service offering quickly, while improving the quality of our solutions and decreasing the cost to find, build, fill and run our spaces. We have approximately 1,000 engineers, product designers and machine learning scientists that are dedicated to building, integrating and automating the complex systems we use to operate our business. As a result, we are able to deliver a premium experience to our members at a lower price relative to traditional alternatives.

Cost Per Employee: WeWork Versus Standard Lease



(1) Sources: Building Owners and Managers Association (BOMA); CoStar Office Market Statistics; International Facility Management Association (IFMA); CBRE Office Occupancy Costs; Cushman Global Occupancy Report 2017; and third-party research. Comparison data represents annualized costs based on an average of ten select city centers in the United States, Europe, South America and Asia that are representative of our key markets. "Standard lease" includes the costs associated with food and beverage, events, utilities, insurance, property taxes, facilities management and base rent. "Build-out" includes the costs associated with construction, procurement and design services offset by a tenant improvement allowance amortized over an illustrative five-year lease.

(2) Represents annualized average membership and service revenue per WeWork membership ("average revenue per WeWork membership") for the six months ended June 30, 2019 across the same ten select city centers as above.

We have grown significantly since our inception. Our membership base has grown by over 100% every year since 2014. It took us more than seven years to achieve $1 billion of run-rate revenue, but only one additional year to reach $2 billion of run-rate revenue and just six months to reach $3 billion of run-rate revenue.

Figure 6. Cost per employee comparison chart. From The We Company. (Registrant). (2019). *Form S1 Registration Statement.* Retrieved April 29, 2020 from https://www.sec.gov/Archives/edgar/data/1533523/000119312519220499/d781982ds1.htm#toc781982_1

Appendix C

News chronicles of the tech veneer crumbling

May 10, 2019

DEALBOOK

Uber's Dismal Debut Is a Rare Event on Wall Street

How a stock trades in its debut is often used to gauge the success of the offering and investor sentiment about a company.

By Stephen Grocer

PRINT EDITION
May 11, 2019

Oct. 14, 2019

TECHNOLOGY

Uber's Layoff Total Rises Past 1,000 With Latest Cuts

A third round targeted 350 workers on Monday as the company struggles to reduce costs.

By Kate Conger

PRINT EDITION Uber Cuts 350 Jobs in Third Round of Layoffs | October 15, 2019, Page B3

Figure 7. Uber IPO headlines. The New York Times. (Publisher). (2019). *Search: Uber IPO.* Retrieved April 29, 2020 from https://www.nytimes.com/search?query=uber+ipo

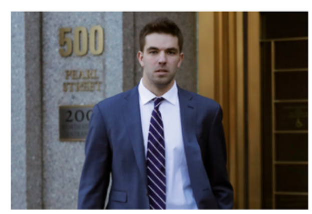
Oct. 11, 2018

MUSIC

Fyre Festival Organizer Sentenced to Six Years in Federal Prison

Billy McFarland had pleaded guilty to wire-fraud charges in the Fyre debacle as well as two more fraud counts for running a sham ticket-selling business.

By Colin Moynihan



PRINT EDITION
October 12, 2018, Page A25

Figure 8. Fyre Festival headlines. The New York Times. (Publisher). (2018). *Search: Fyre Festival Organizer.* Retrieved April 29, 2020 from https://www.nytimes.com/search?query=fyre+festival+organizer

Jan. 30, 2019

ARTS

Fyre Festival, Theranos and Our Never-Ending 'Scam Season'

The conditions that produced Billy McFarland, Anna Delvey and Elizabeth Holmes show no signs of abating.

By Amanda Hess

PRINT EDITION A Fertile Time for Swindlers | January 31, 2019, Page C1

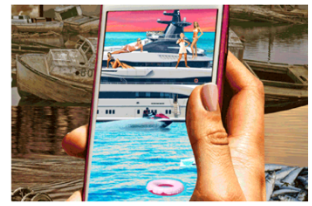


Figure 9. Fyre Festival and Theranos headline. The New York Times. (Publisher). (2018). *Search: Fyre Festival + Theranos.* Retrieved April 29, 2020 from https://www.nytimes.com/search?query=fyre+festival%2C+theranos

June 15, 2018

HEALTH

Theranos Founder Elizabeth Holmes Indicted on Fraud Charges

The former darling of Silicon Valley and the former president of her blood testing company are accused of defrauding investors, doctors and patients in a federal indictment.

By Reed Abelson

PRINT EDITION Theranos Founder Elizabeth Holmes Is Indicted on Wire Fraud Charges | June 16, 2018, Page B1

Figure 10. Theranos founder indictment headline. The New York Times. (Publisher). (2018). *Search: Theranos.* Retrieved April 29, 2020 from https://www.nytimes.com/search?query=theranos

March 15, 2018

OPINION

Theranos's Fraud Tested the Limits of the Disruption Tale

Investors entranced by the Silicon Valley myth were no match for a whiz-kid con artist.

By The Editorial Board

PRINT EDITION Theranos's Fraud Tested the Disruption Myth | March 16, 2018, Page A26

Figure 11. Theranos fraud headline. The New York Times. (Publisher). (2018). *Search: Theranos.* Retrieved April 29, 2020 from https://www.nytimes.com/search?query=theranos

Appendix D

Value, loss, and sentiment over time

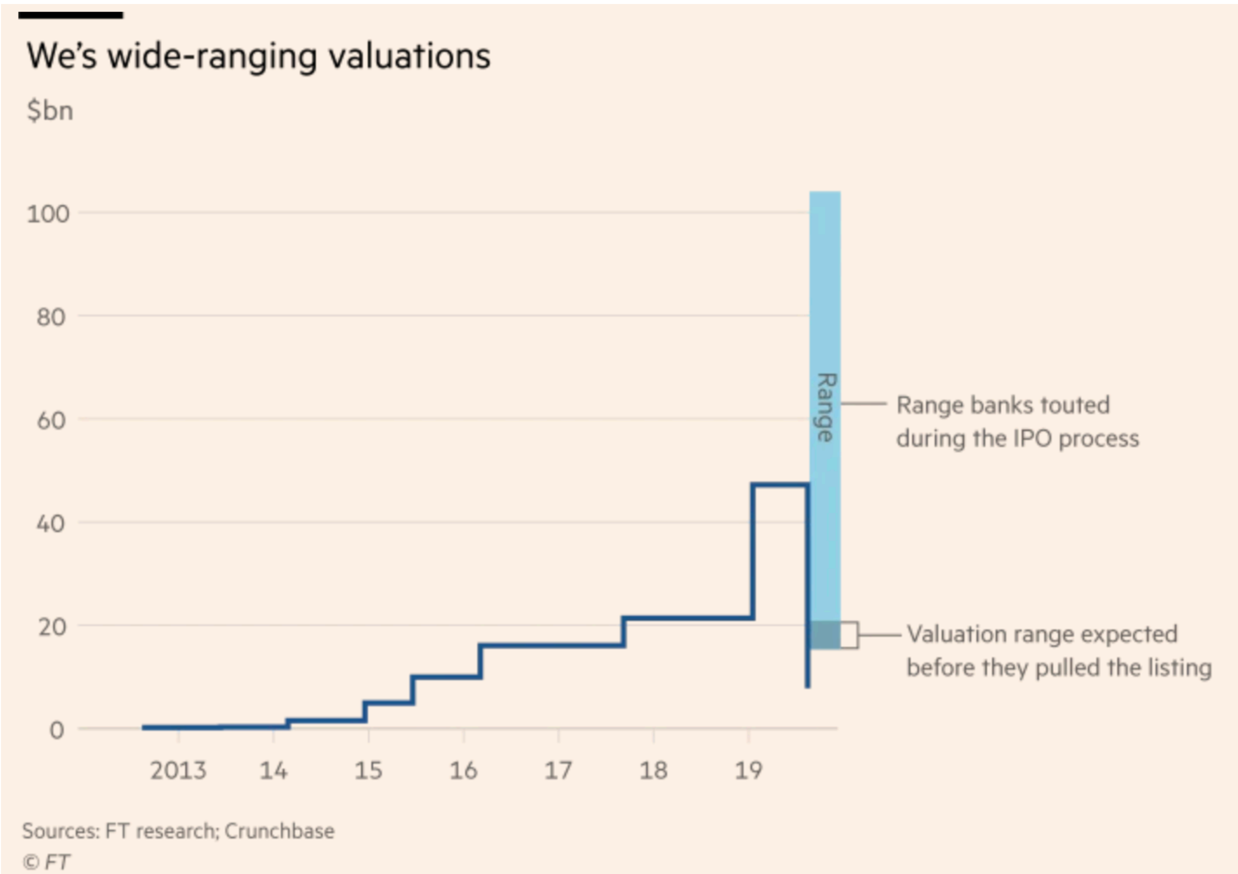


Figure 12. We's Wide-ranging valuations. Financial Times. (Publisher). (2019). *WeWork rescue: The winners and the losers*. Retrieved April 29, 2020 from https://www.ft.com/content/d32c8526-f555-11e9-b018-3ef8794b17c6

Figure 13. We company's mounting losses. Financial Times. (Publisher). (2019). *WeWork rescue: The winners and the losers*. Retrieved April 29, 2020 from https://www.ft.com/content/d32c8526-f555-11e9-b018-3ef8794b17c6

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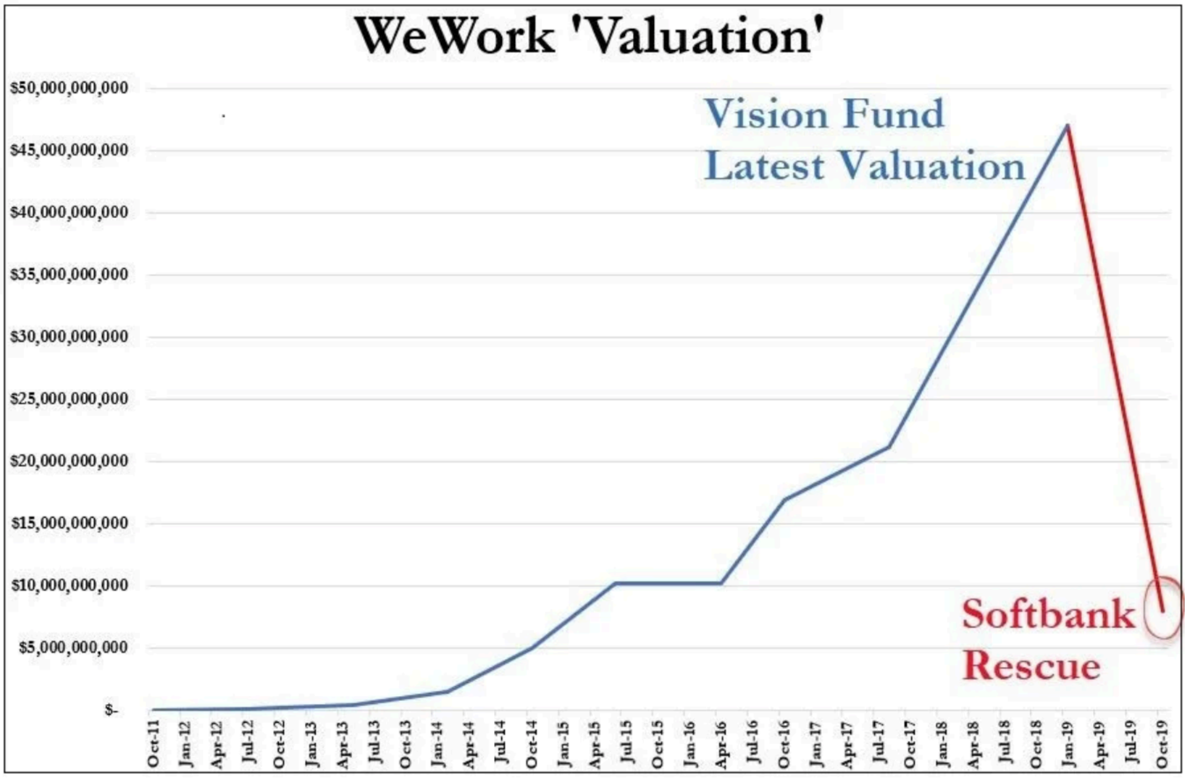

Figure 14. WeWork 'Valuation.' Pacific Workplaces. (Creator). (2020). *Life after WeWork: Now what?* Retrieved April 29, 2020 from https://pacificworkplaces.com/blog/life-after-wework-now-what/

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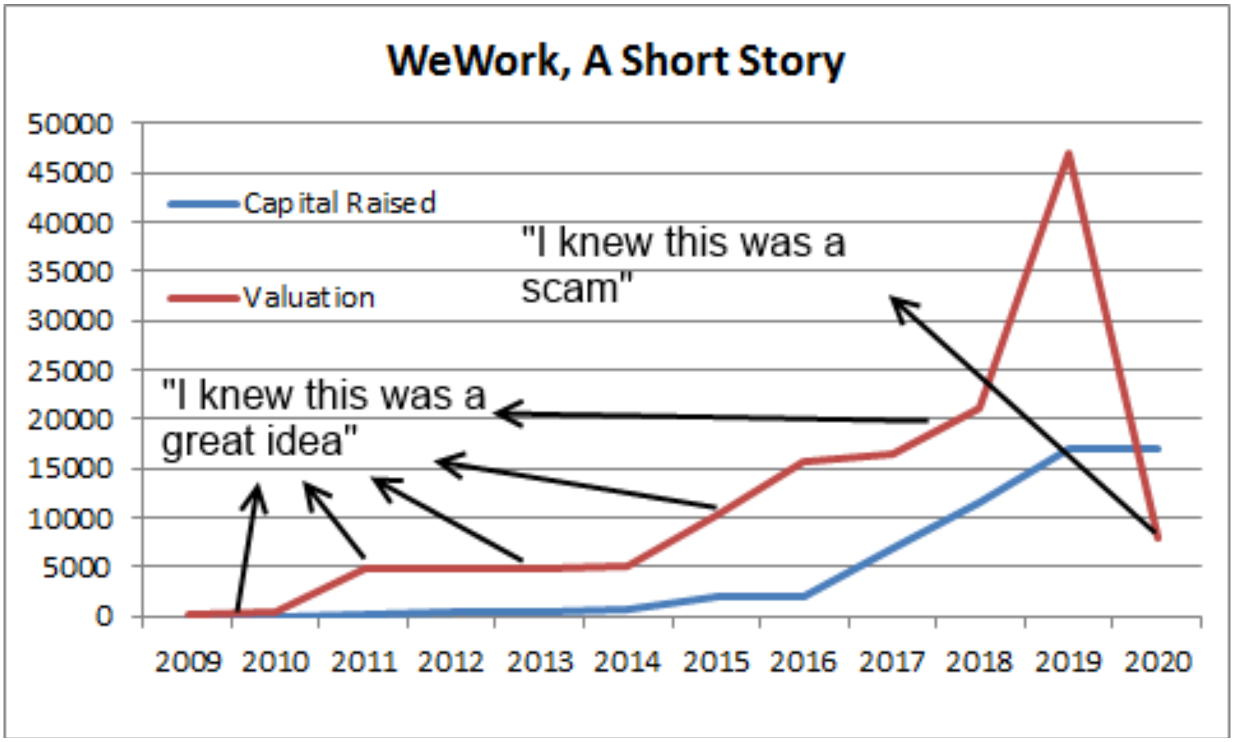

Figure 15. WeWork, A Short Story. Seeking Alpha. (Creator). (2019). *No one knows what individual stocks are actually worth*. Retrieved April 29, 2020 from https://seekingalpha.com/article/4298104-no-one-knows-what-individual-stocks-are-actually-worth

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