



Why WeWork Won't Work?

Howard





Who wins in a fight,
the Smart guy?
Or the *Crazy* guy?"

—Masayoshi Son
to Adam Neumann

Founders of WeWork



**Adam
Neumann**
Co-Founder & CEO

Baruch College – CUNY
Zicklin School of Business



**Miguel
McKelvey**
Co-Founder & CCO

University of Oregon
Bachelor of Architecture

Due to Financial Crisis of 2008...

Adam & Miguel founded Greendesk at Brooklyn in 2008, focused on:

1. Using environmentally friendly materials
2. Using GEE certified energy
3. Making Recycle, Reuse, Reduce more easy
4. Creating a comfortable coworking space



*But soon they realized
people don't care about going green,
but Belongingness.*

In 2010, Wework was founded.

Target Audience:

1. Startups
2. Freelancers
3. Independent Professionals
4. SMEs



*"We dedicate this to the energy of
WE – greater than any one of us but
inside each of us."*

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WeWork's Business Model



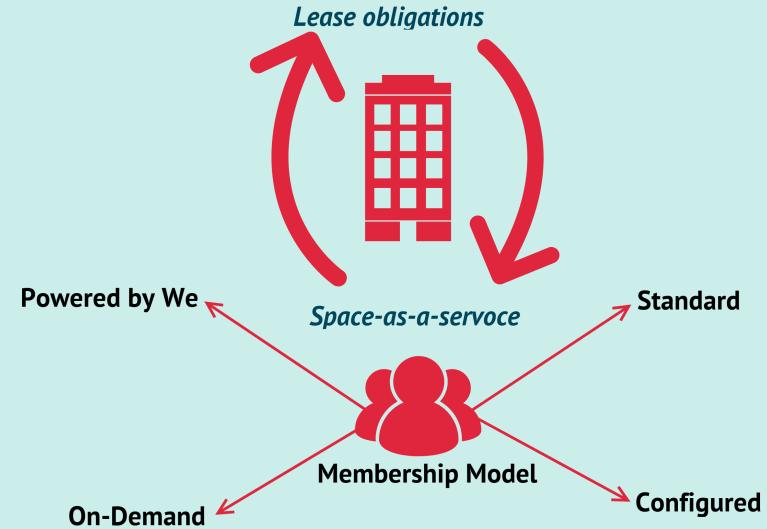
Sublessor!

WeWork offers 5 types of Membership:

1. All Access
2. Dedicated Desks
3. Standard Offices
4. Office Suites
5. Full-floor Offices

WeWork Business Model

WeWork runs a membership model that gets monetized via a set of packages which include ancillary value-added products and services to enable companies to scale or shrink their workspace on-demand. WeWork defined its revenue model space-as-a-service claimed to be more scalable than a traditional commercial real estate.



WeWork delivers value to ***Both:***

Tenants

- Flexible Space
- Short term lease
- Lower fee(25% less)
- Access of office perks

Landlords

- Higher Rents(2x)
- Expanding Tenant Pool
- Increases Real Estates Value



15%~29%

of rent premiums in buildings they occupied
in NY and LA, 2018

\$250M

additional revenue in NY, LA and Chicago alone, 2018

WeWork's Fundraising Strategy



Investors

J.P.Morgan

Goldman
Sachs

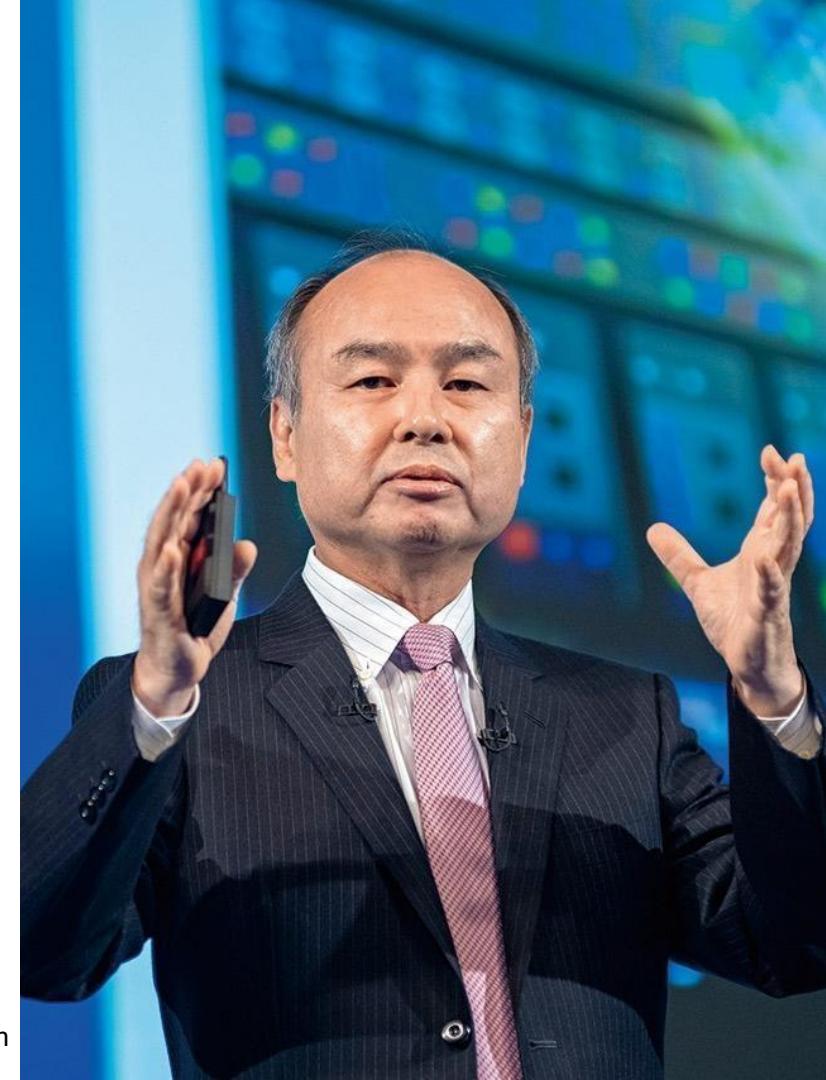
BENCHMARK

SoftBank
Group

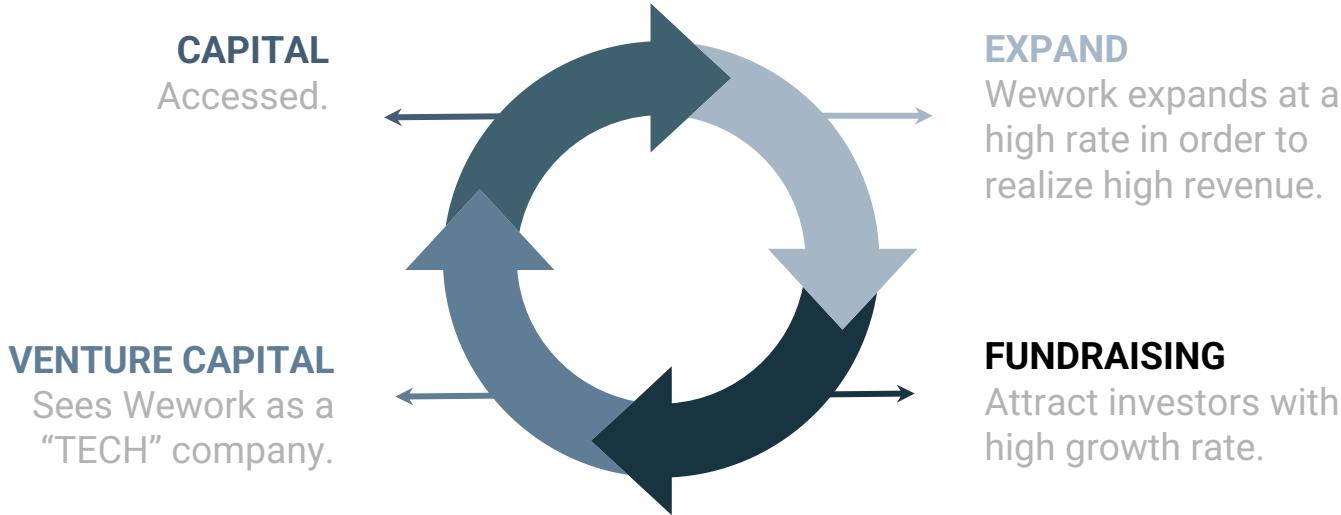
T.RowePrice®
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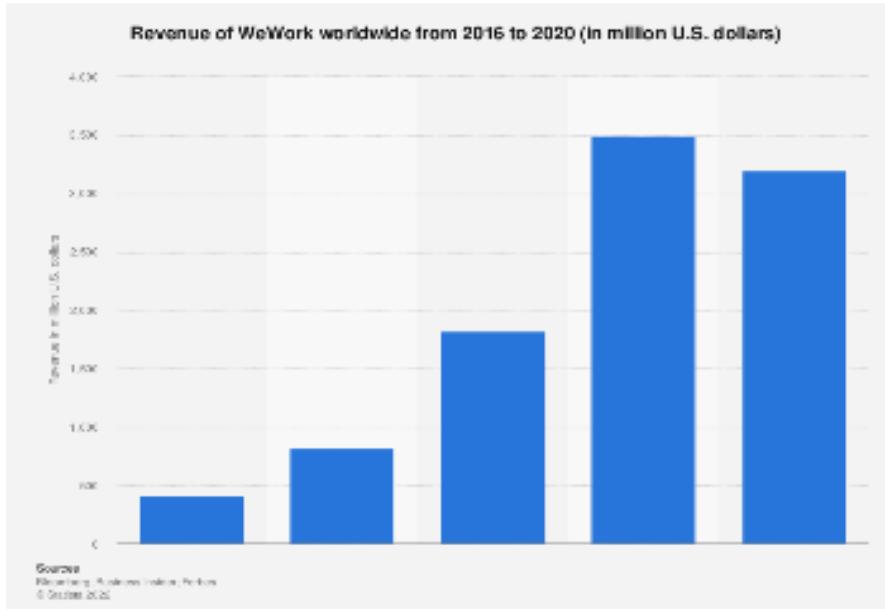
CEO of SoftBank, Masayoshi Son



The Fundraising Strategy



Revenue Growth



2017
\$822M USD

2018
\$1,820M USD

2019
\$3,500M USD

2022
\$3,200M USD

Average YoY Growth: **68%**

The reason why Neumann claimed WeWork as a Tech company:

Real Estate
Companies

Average PS multiple:

~5

Tech
Companies

Average PS multiple:

~20

WeWork's Competitive Advantage



Price!

By constantly cutting prices and offering higher bids than market price, WeWork reaches its vision of increasing market share.



WeWork's IPO Process



Why WeWork Failed the First IPO(2019)?

Valuation

WeWork was never a Tech company, a valuation of \$47B USD is way too high for a Real Estate Company.

Path to Profitability

After 9 years of expanding and operating, WeWork was never able to give a reasonable answer of how they are going to profit.



Adam Neumann

- Lease personal real estate to WeWork
- Trademarking "We" and force WeWork to buy it (\$5.9M USD)
- Having 10 voting rights for each share
- Smoking weed on a private jet





IPO through SPAC(2021)

- CEO: Sandeep Mathrani
 - Acquired by: BowX Acquisition Corp
 - Valuation: \$9B USD
 - Location: NYSE(WE)
-

The Importance of Due Diligence





Neumann claims that Wework is a Tech company:

1. Real Social Network creates larger value, same as Internet connections
2. Founded a R&D Department

But it's not...

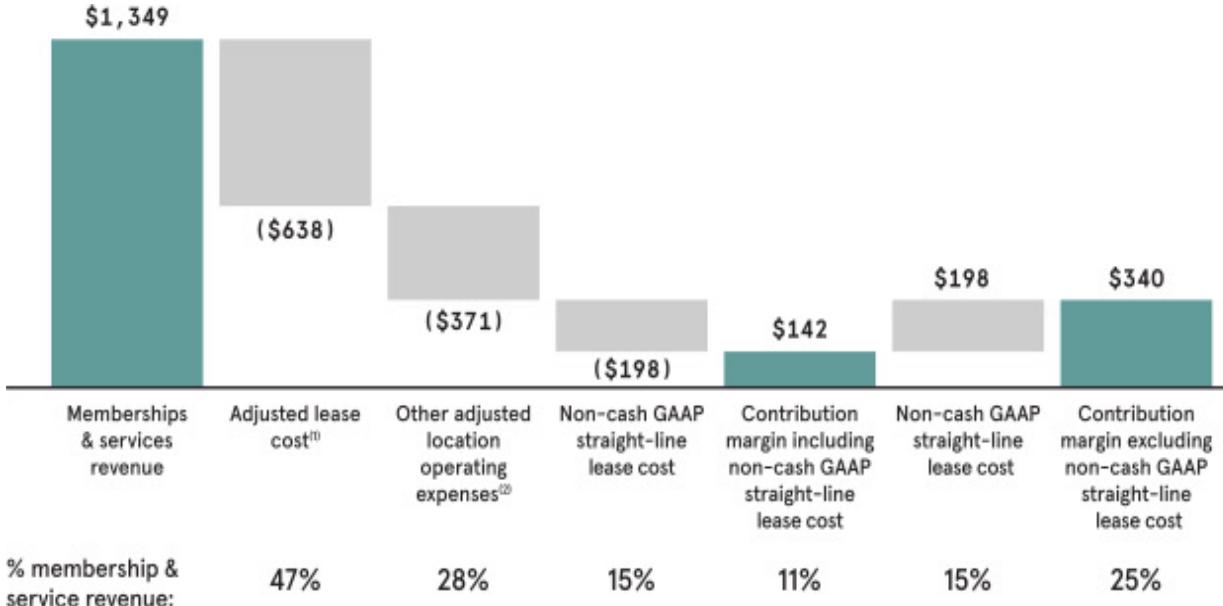
1. Assets, such as Space, Tables, Chairs, are not "technical"
2. Leasing assets

Define "Tech" Company:

"Using Technology to
Create a New Business
Model."



Financial Status



WeWork doesn't include corporate G&A Allocations and Furniture, Fixtures and Equipment("FF&E") on its net Contribution Margin, which resulted a

**+\$340CM, and
+25% M&S
Revenue**

Contribution Margin for the 6 months in ending June 30, 2019, in millions

Financial Status



After including corporate G&A Allocations and Furniture, Fixtures and Equipment ("FF&E"), it resulted a

**-\$543CM, and
-40% M&S
Revenue**

Other Adjustments to Contribution Margin in 1H, 2019, in millions

Financial Status

(Amounts in thousands)	YE 2016		Three Months Ended								
	Dec. 31, 2016	March 31, 2017	June 30, 2017	Sept. 30, 2017	Dec. 31, 2017	March 31, 2018	June 30, 2018	Sept. 30, 2018	Dec. 31, 2018	March 31, 2019	June 30, 2019
Key performance indicators:											
Workstation capacity (in ones) ¹	107,000		154,000	178,000	214,000	251,000	301,000	354,000	466,000	548,000	604,000
Memberships (in ones) ²	87,000		128,000	154,000	186,000	219,000	268,000	319,000	401,000	466,000	527,000
Annualized average revenue per average membership		7,364	6,648	6,396	6,429	6,382	6,187	5,882	5,796	5,806	

After annualizing the average revenue membership per quarter, we'll see that

the **Revenue is
SHRINKING.**



Internal Issues

1. Founder's Personality, Reputation, Style of Work...
2. What's left behind pretty branding?
3. Check the Valuation of Assets and Liabilities

Real Estate/Coworking Industry



Coworking is NOT a Failed Business Model

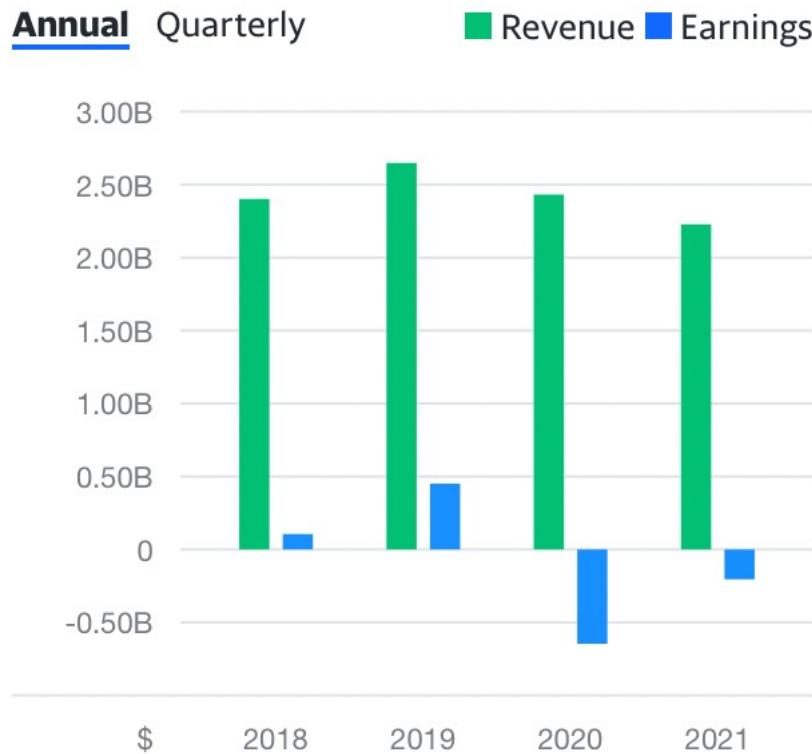
Metric	WeWork	IWG
Global square footage	45M	50M
Members	0.5M	2.5M
Locations	528	3,000+
Cities	111	1,000
Countries	29	120
Workstations	604K	547K
Revenue (2018)	\$1.8B	\$3.4B
Profit / Loss (2018)	\$-1.9B	\$0.5B
Valuation	\$47B	\$3.7B

Data is latest available unless noted otherwise.

Source: Company reports

IWG, founded at Belgium in 1989, was the pioneer and currently the largest coworking space provider.

As A VC:



- Lack of Explosive Growth
- Low Entry Barrier
- Low Value
- Several Variables

Therefore, VCs Shouldn't focus on investing in
Real/Estate or Leasehold companies.



A composite image featuring a portrait of a smiling man in a suit on the left and a graphic on the right. The graphic consists of a yellow line with circular markers, ending in a large upward-pointing arrow. The word "Thanks!" is written in bold, dark blue capital letters inside a yellow circle on the line.

Thanks!