MARKETS

WeWork's Board to Evaluate Emergency Bailout Plans

The board is set to meet to weigh emergency-financing options including a takeover by SoftBank that would slash the co-working company's valuation to about $8 billion.

By Liz Hoffman and Maureen Farrell

WeWork's board is expected to meet Tuesday to weigh emergency-financing options including a takeover by SoftBank Group Corp. that would slash the co-working company's valuation to about $8 billion and alleviate a looming cash crunch.Ahead of a Monday deadline to submit bids, SoftBank has offered to lend $5 billion to the struggling startup and accelerate a $1.5 billion equity investment that had been scheduled for next year, people familiar with the matter said. SoftBank also would offer to buy more than $1 billion of stock from existing investors and employees, some of the people said. The moves would boost its equity ownership above 50%.

JPMorgan Chase & Co. plans to submit a competing $5 billion debt package backstopped by the bank that would bring together a group of outside investors including Barry Sternlicht's Starwood Capital Group.

A special committee of WeWork's board is expected to reach a decision on which bid to accept this week.

SoftBank's offer would value WeWork at less than half of what the company had been looking to fetch in a now-scrapped initial public offering. It is even further from the $47 billion at which WeWork was valued in a funding from SoftBank in January.SoftBank's offer, first reported earlier this month by The Wall Street Journal, would further sideline Adam Neumann, WeWork's flamboyant co-founder who was recently forced out as chief executive.

SoftBank would likely buy some shares from Mr. Neumann as part of the employee offer and would seek to further diminish his voting control over the company he co-founded in 2010, some of the people said.A top SoftBank executive, Marcelo Claure, would succeed Mr. Neumann as board chairman and would head a search for outside leadership, including potentially a new chief executive to replace the two men who have been sharing the job since Mr. Neumann's departure.

The scramble to cobble together a rescue for WeWork reflects the company's grim reality: It only has enough money to last a few more weeks and not many investors beyond SoftBank, which already owns a one-third stake, are eager to step into the fray.SoftBank is racing to save an investment that has become a major black eye. Its founder, Masayoshi Son, was among Mr. Neumann's most enthusiastic backers and the Japanese conglomerate invested several times in WeWork, whose parent is officially known as We Co.

If its deal goes through, SoftBank will have invested well over $10 billion, and lent $5 billion more, to a company now valued at $8 billion or less. Its investments are split between the Japanese-listed parent company and the $100 billion Vision Fund in which SoftBank's own money is mingled with that of outside investors.

SoftBank expects that with new money and management blood, and a slimmed-down business focused on leasing office space, the company can turn around its finances, become profitable and eventually go public, according to people familiar with the deal.

Under the deal on the table this week, the Vision Fund would move up a $1.5 billion investment in WeWork due April 2020 that had been agreed to in 2018 and earlier this year as part of a larger, multileg deal.

It also would likely fold into WeWork the Vision Fund's stakes in the startup's subsidiaries in Asia, according to one of the people.

WeWork's swift fall, in which it lost nearly $40 billion of value, marks a stunning collapse with little precedent for what was once one of the country's most valuable startups. Just five weeks ago, WeWork was planning an IPO that its bankers at JPMorgan and Goldman Sachs Group Inc. told company executives could fetch a valuation around $20 billion.

Investors balked at the company's steep and growing losses and a tangle of business and personal dealings with Mr. Neumann, whose erratic management style and party-heavy lifestyle also raised eyebrows.The company scrapped the public offering, Mr. Neumann resigned as chief executive and his wife, Rebekah Neumann, stepped down as We's chief brand officer. Mr. Neumann's influence also was pared back, giving him three votes per share, down from 10 and earlier, 20.

Under its new co-CEOs, Artie Minson and Sebastian Gunningham, WeWork has been crafting plans to sell or shut down side ventures, including a private elementary school and event-planning website Meetup.com, to focus on its core business of leasing office buildings, renovating them and subletting to short-term tenants.WeWork also is planning to cut thousands of employees, but delayed the layoffs earlier this month because it couldn't afford the severance costs, people familiar with the matter have said.

In a note to staff last week, Messrs. Minson and Gunningham said the company would "treat employees fairly who are impacted." They acknowledged the toll that the company's swift change in fortune has taken on its workers, whose expected IPO riches have evaporated.

"Many of you are asking or receiving questions for which we don't have final answers at this time," the two executives wrote in the note.

Eliot Brown contributed to this article.

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