

## Why WeWork's IPO failed

WeWork opened its first shared workspace in New York City in 2010, shortly after its founding. The company then expanded its operations to 425 locations in 100 cities across 27 countries within a decade, and was valued at USD 47 billion in 2019 after receiving a USD 6 billion investment from Softbank.

WeWork's extraordinary growth, however, drew scrutiny over its corporate governance and culture. The scrutiny included reports on WeWork's settlements with the Illinois and New York attorneys general over the company's extensive use of non-compete agreements, as well as a former employee's sexual harassment claim filed in the second half of 2018.

In early 2019, the Wall Street Journal reported that WeWork's founder and then-CEO, Adam Neumann, had made millions of dollars by leasing his own properties to the company. In the months that followed, WeWork faced a growing number of legal complaints alleging workplace discrimination and retaliation against whistleblowing employees. In August of the same year, WeWork's parent company We Co announced plans to go public on the Nasdaq Stock Exchange.

In September 2019, WeWork announced Neumann's resignation and withdrew its IPO filing as concerns over potential conflicts of interest involving Neumann intensified and confidence in the company's business model and financial positions faltered.

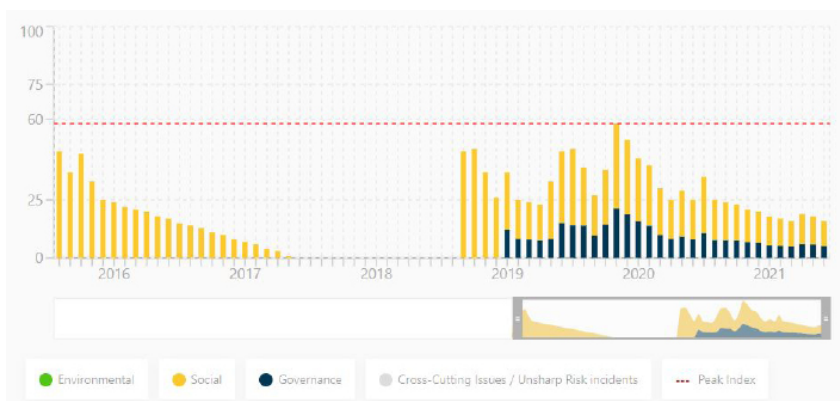
Following WeWork's IPO failure and subsequent valuation drop from USD 47 billion to USD 2.9 billion, the company continued to struggle with legacy issues left by former leadership. In addition to a state attorney general investigation into self-dealing allegations against Adam Neumann, there was also a class-action lawsuit filed by the company's minority shareholders alleging breach of fiduciary duty, and at least three additional legal actions over alleged workplace discrimination and sexual harassment. The company was also twice alleged to have violated the privacy of its customers in the US and elsewhere.

Now under new ownership and management, WeWork is set to go public by merging with a special-purpose acquisition company in 2021.

### Were there prior indicators of risk?

RepRisk's unique research approach and methodology picked up early warning signals on the ESG risks associated with WeWork, with risk indicators arising four years before significant reductions in the company's valuation occurred.

The company's RRI reached RepRisk's medium risk threshold in 2015 and 2018 when WeWork was linked to allegations of unfair employment practices, and surpassed the high-risk threshold in 2019, as it was subject to growing regulatory and legal turmoil following a failed IPO.



## Case study timeline

### 2015

#### August 25

Fortune reports layoff of 150 cleaning subcontractors for WeWork's New York City locations in connection with the cleaning staff's unionization efforts. Company's valuation stands at USD 10 billion. (RRI 46)

### 2018

#### September 18

WeWork reaches settlement with New York and Illinois Attorneys General over non-compete agreements affecting thousands of employees in the US. Company's valuation stands at USD 20 billion.

#### October 22

Forbes commentary criticizes WeWork for inadequate handling of employee's sexual harassment claim amid #MeToo campaign in the US. (RRI 47)

### 2019

#### January 16

Wall Street Journal reports on potential conflict of interest involving WeWork's CEO and properties he leased to the company in the US. Company's valuation reaches USD 47 billion. (RRI 37)

#### June 20

Wall Street Journal reports on two separate lawsuits filed by WeWork's former executives alleging age and gender discrimination. Company's valuation stands at USD 47 billion. (RRI 46)

#### August 27

Forbes commentary highlights conflict of interest concerns involving WeWork's CEO as parent company We Co prepares for IPO in September 2019. (RRI 39)

#### September 24

WeWork's CEO resigns amid rising concerns over company's governance and business model. Company's valuation drops to USD 20 billion.

#### September 30

We Co announces withdrawal of IPO filing.

## Conclusion

WeWork had a high valuation of USD 47 billion for at least eight months in 2019 until the company's problematic governance was put under the spotlight. As the only ESG data science provider to systematically identify and assess ESG risk for private companies like WeWork, RepRisk took early notice of multiple red flags raised by external stakeholders as early as 2015, and in 2018. In both years, the company's risk level almost breached the high risk threshold, finally doing so in 2019. RepRisk's outside-in perspective excludes company disclosures from its research – looking at what the world says about a company, not what a company says about itself. This approach serves as a reality check for how companies conduct their business and whether they walk their talk – a crucial ESG risk indicator for financial institutions who do business with private companies.

### **WeWork's Values and Equal Employment Opportunity Policy**

(last accessed on May 12, 2021)

“Do The Right Thing: We know the ‘right thing’ is a deliberate action we must always take, and that it is based on integrity and builds trust with those who we care about, including our people, members and our community.”

“WeWork is proud to be an Equal Employment Opportunity and Affirmative Action employer. We do not discriminate based upon gender, sexual orientation, marital or civil status, pregnancy (or pregnancy-related conditions), gender identity or expression, transgender status or gender reassignment, race, color, national origin or ancestry, citizenship, religion or religious beliefs, age, physical or mental disability, genetic information (including genetic testing and characteristics), military or veteran status, or any other grounds or characteristic that is protected under the law.”

## October 22

CNN reports on potential USD 1.7 billion payout for WeWork CEO as Softbank takes over company. Company is valued between USD 7.5 billion to USD 8 billion. (RRI 38)

## November 1

CNN reports on several complaints filed against WeWork alleging discrimination and retaliation against whistleblowing employees. (RRI 58)

## November 8

Bloomberg reports on class-action lawsuit filed against WeWork for violations of the Illinois Biometric Information Privacy Act, in connection with WeWork's use of facial scans in offices despite lack of appropriate consent.

## November 9

Reuters reports on a proposed class-action lawsuit filed against WeWork and investor Softbank alleging breach of fiduciary duty and self-dealing.

## November 19

Reuters reports launch of investigation by New York State Attorney General against WeWork's former CEO over alleged self-dealing and self-enrichment activities.

## November 21

Motherboard reports on cybersecurity vulnerability that exposes WeWork's customer data to leaks. WeWork announces plan to lay off 2,400 employees. Company's valuation drops below USD 5 billion.

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## 2020

### February 22

Business Insider investigation reports on WeWork's “toxic culture” under former leadership. (RRI 40)

### July 9

Reuters reports on two discrimination actions filed by WeWork employees within a week.

### July 15

HR Dive reports on third lawsuit alleging retaliation against employee who filed a complaint about sexual harassment at work. Company's valuation stands at USD 2.9 billion. (RRI 35)

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## 2021

### April 12

Hulu releases documentary on WeWork's unsustainable and toxic work culture created by former CEO.

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