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WeWork Parent Postpones IPO

We Co. scraps roadshow planned for this week amid investor doubts about the company's valuation and concerns about corporate governance

Adam Neumann, co-founder and CEO of WeWork Photo: Cindy Ord/Getty Images for WeWork

By Maureen Farrell
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WeWork's parent postponed its initial public offering after investors questioned how much the company is worth and raised concerns about its corporate governance.

The shared-workspace company—which had planned to begin a roadshow to market the shares as early as Monday ahead of a trading debut next week—shelved the offering until at least next month, people familiar with the matter said.

The move reflects the difficulty the company, along with its co-founder and chief executive, Adam Neumann, have had getting the offering off the ground, even after dramatically slicing its valuation and revamping its governance.

It is a blow for a company that had been one of the most richly valued of a raft of startups planning to go public in a banner year for IPOs, but has been dogged by doubt over whether it can thrive as a public company.

We Co., as the company is officially known, had been valued at $47 billion in a fundraising exercise this year with SoftBank Group Corp. , but in recent days its executives and underwriters had become resigned to something closer to between $15 billion and $20 billion or possibly lower, people familiar with the matter said.

“The We Company is looking forward to our upcoming IPO, which we expect to be completed by the end of the year,” it said in a statement late Monday after The Wall Street Journal reported on the delay. “We want to thank all of our employees, members and partners for their ongoing commitment.”

The We Co.’s rapid expansion and flexible business model have helped it stay out in front of competitors. But some investors are saying its public offering might not be worth the risk. Here’s why. Photo: David 'Dee' Delgado/Bloomberg News

In addition to lowering the fundraising target, the company had spelled out a series of governance changes, including adding a lead independent director and ratcheting back the potency of Mr. Neumann's supervoting rights.

Still, those changes don't appear to have assuaged investors who questioned Mr. Neumann's outsize control and the hundreds of millions of dollars he has reaped from selling his shares and other transactions with the company.

Investors have also been unnerved by deepening losses at the company, which last year bled $1.61 billion in red ink—nearly equal to its revenue of $1.82 billion.

Another factor complicating the offering is the disappointing debut of SmileDirectClub Inc., a teeth-straightening startup that fell 28% on its first day of trading last week. It was the year's worst stock-market debut for a U.S. company valued at more than $1 billion, according to Dealogic, and that spooked some big IPO investors.

We is now expected to wait until mid-October at the earliest to start its investor roadshow, following the conclusion of the Jewish High Holidays, which Mr. Neumann observes.

The delay could also last longer and some existing investors, including SoftBank, have pushed the company to wait until next year to launch its IPO, the Journal has reported.

The nine-year-old company, which rents space, renovates it, then divides it up and subleases it, expects that results for the current quarter will showcase its rapid growth and get investors more excited about its prospects, one of the people said.

That would enable the company to stage its long-anticipated debut as soon as October or November, this person said, adding that We had all along been considering this alternate timetable among others.

If the IPO doesn't take place soon, We may have to look elsewhere for much-needed funding.

The share sale was expected to raise at least $3 billion and trigger a $6 billion loan package.

One possible source of new funding is SoftBank, WeWork's largest investor, which was planning on kicking in at least $750 million more as part of the IPO, as the Journal reported last week.

SoftBank's planned investment was expected to help shore up demand for the offering by limiting the supply of shares to be sold to outside investors and signaling the Japanese technology conglomerate's continued support of the company, but apparently that didn't do the trick.

The postponement is the latest hiccup for the IPO market in a year that is set to be one of best ever in terms of money raised in new issues.

A number of big technology startups, including ride-hailing services [Uber Technologies] Inc. and [Lyft] Inc. and workplace-messaging provider [Slack Technologies] Inc., have gone public in 2019 and while some of the newly minted shares have soared, others, such as Lyft and Uber, have struggled as investors question businesses with big losses.

—Eliot Brown contributed to this article.