

WeWork saga: Difficult days ahead

By Sagun Poudyal, LL.M. Candidate, 2020 | October 9, 2019

After leading a botched attempt to take WeWork public, Adam Neumann succumbed to [pressure from the boardroom](#) to step down from his position as chief executive of the fabled unicorn. His resignation came at the wake of the company's announcement to delay its much-anticipated IPO amid concerns about the company's governance and its burgeoning losses. It remains doubtful, however, whether Neumann's departure is enough to lead the company into a profitable future.

At the outset, the company has placed its faith in insiders, Sebastian Gunningham and Artie Minson, to take the reins as [co-chief executives](#). Shortly after their appointment, the company filed a request with the Securities and Exchange Commission to formally [withdraw its IPO prospectus](#). WeWork was expecting to raise approximately \$3billion through new stock issuances and secure \$6billion in bank loans that were [contingent on the IPO](#). Since that is no longer possible, it is now faced with the urgency to look for alternative sources of capital to keep the lights on.

WeWork's alarming losses have been closely linked with its obsession to pursue [torrid growth](#). The new leadership is now considering scaling back expansion in the near term, [selling some of the company's newly acquired businesses](#), as well as [trimming its workforce](#) in the hopes of reducing operational expenses. It is also believed that the company is in early talks with [private investors](#) and is liaising with JP Morgan and Goldman Sachs for a new [\\$3billion line of credit](#). However, any extension of credit will most likely hinge on [further equity infusion](#) from key investors, including SoftBank, the company's largest shareholder.

While the management shake-up is indeed a strong statement of intent from the company, it will definitely take more than just new leadership to restore investor confidence. Without strengthening its core business and demonstrating a foreseeable path to profitability, it is unlikely that WeWork will be able to revisit the public markets to raise capital in the near future.

