

WeWork

Workspaces x Services x Community

WeWork is a US-based, privately-owned company that provides shared workspace, services and community for entrepreneurs, start-ups, small businesses and freelancers. Founded in 2010 by Adam Neumann and Miguel McKelvey, the company has expanded its physical and virtual community to 47 cities in 16 countries and now has more than 130,000 members. WeWork has raised US\$4.69b in 10 funding rounds, giving it an indicative valuation of US\$20b.

Background

WeWork's founders Adam Neumann and Miguel McKelvey founded GreenDesk, an "eco-friendly coworking space" in Brooklyn NYC. They sold that business in 2010 and started WeWork, capitalising on the amount of empty office space in New York after the global financial crisis. By 2014, it had become the fastest growing lessee of office space in the city and by 2015 it had expanded to 51 co-working locations across the US, Europe and Israel. Today, WeWork is in 47 cities in 16 countries, including two locations in Sydney and a soon to be opened location in Melbourne. The company has more than 130,000 members in its network.

Business model

At the core of WeWork's business model is a drive to create a community. Its shared workspaces operate on the basis of membership plans which offer access to annual retreats, global and local summits and networking opportunities through communal spaces in each office. The company offers several plans including from a basic US\$45/month pay as you go membership plan with access to a desk or conference room for one day per month, a membership plan starting from A\$450/month for a hot desk and 24/7 access, A\$550/month for a 24/7 dedicated desk and from A\$850/month for a private office with 24/7 access. WeWork also offers enterprise solutions aimed at large corporates looking for flexibility in their workspaces and is quoted on its website as being able to deliver a 25% reduction in monthly rentals. In 2016, WeWork launched a separate but related "co-living" venture called WeLive, which applies the same principles of WeWork to housing, offering rental apartments that are grouped together with a number of shared spaces and services, such as cooking, cleaning, and laundry, as well as group activities and events. The first tests of the concept were launched in New York City and Washington D.C.

Market size and Competitive landscape

WeWork operates in the co-working space sector which is estimated by Statista to be growing at a CAGR of 80% to 2018. Its largest competitor is UK-listed Regus Plc which has a market capitalisation of £3.1b and which has 3,000 locations in 900 cities and 120 countries. In Australia, the nearest competitor is Servcorp Ltd which has a market capitalisation of A\$600m, is in 155 locations in 54 cities and 23 countries. Servcorp has 35,000 business members who pay subscriptions from A\$50/month.

Share details

Investment to date	US\$4.69BN
Number of shareholders	~20

Shareholders include Softbank, Benchmark Capital, Harvard Management Co, Fidelity Investments, T. Rowe Price, Wellington Management, Goldman Sachs, JP Morgan and founders, Adam Neumann and Miguel McKelvey

Market size

Statista estimates that there were 11,300 co-working spaces worldwide in 2017, up from 8,700 in 2015 and 500 a decade before. Statista is forecasting for co-worker spaces to increase to 37,000 in 2018.

Upside Case

- Tapping into growing demand for flexible working spaces from tech and startups
- Opportunity to roll out to many more cities/countries and other verticals such as WeLive
- Operating at close to 100% occupancy

Downside Case

- Listed competitors have adapted to offer similar models
- Potentially requires additional funding
- Valuation achieved is substantially higher than listed competitors – where to from here?

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