

WeWork CEO walks away with \$1.7 billion as mass layoffs planned at failing office rental company

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Adam Neumann, the former CEO and co-founder of WeWork, has agreed to accept an outrageous \$1.7 billion severance package to walk away from the company after the collapse of a highly anticipated initial public offering last month. While the former CEO receives his billion dollar “golden parachute,” mass layoffs are expected, with at least 2,000 of the company’s 15,000 employees to be let go as the company seeks to avoid complete financial collapse.

WeWork, widely heralded as a “unicorn startup” along the lines of Uber, Lyft and similar tech-based companies, is an office rental company—in essence, a very large landlord renting from other landlords. The company rents buildings on long-term leases, remodels the layout to provide communal spaces and tiny workplaces and then rents out the workspaces on a short-term basis.

The company has grown at a breakneck pace, expanding particularly fast in the lead up to the expected stock offering. According to an August filing with the Securities and Exchange Commission, WeWork went from two locations in New York City and 450 tenants in 2010 to 528 locations in 111 cities across 29 countries, with 527,000 tenants by the second quarter of 2019. The workforce nearly quadrupled from 4,000 employees at the end of 2017 to the current 15,000.

However, new leases have nearly stopped in the company’s two largest markets, New York and London. According to the *Financial Times*, two large London landlords will not sign new leases with WeWork for the foreseeable future. WeWork had leased about 3.7 million square feet from these landlords since 2014. In addition, WeWork employees

reported to the *Guardian* that little or no work is now being done.

The company is also set to run out of cash by the second quarter of next year. It is currently losing about \$700 million a quarter and, as of June 30, had \$2.5 billion remaining. Last year, it lost \$1.6 billion. From 2016-2018, it lost \$2.9 billion.

The \$1.7 billion in stock, cash and credit received by Neumann amounts to \$850,000 per employee to be laid off, if the 2,000-layoff figure holds true. However, this is likely only the beginning of a jobs massacre: the technology-industry publication the *Information*, reports that as many as 5,000 layoffs could be forthcoming.

Neumann’s payout includes about a billion dollars toward buying out his share of the company, a \$185 million “consulting” fee, and a \$500 million credit line to help him repay debts he owes to JPMorgan Chase, UBS and Credit Suisse.

Even by the standards of modern CEOs, Neumann’s buyout stands out for its grotesqueness. According to Equilar, Inc., an executive compensation analysis firm, the 200 highest-paid CEOs at public companies had a median salary of \$18.6 million in 2018. Neuman’s consulting fee alone is about ten times that amount.

While lavishing riches on Neumann, the company nonetheless required a takeover from SoftBank, a Japan-based conglomerate and WeWork’s largest investor, to afford to pay severance packages for those employees to be laid off.

On the company’s Slack network, workers noted the irony that WeWork could not afford severance payments for the planned job cuts but could give the disgraced CEO such a huge payout. One employee

posted a photo of the orphan from “Oliver Twist” with the caption: “Please, Masayoshi Son, can I have some severance?” Son is the founder of SoftBank.

On Wednesday, SoftBank took control of WeWork, with SoftBank’s chief operating officer, Marcellp Claire, appointed as executive chair. At a staff meeting Wednesday, Claire confirmed that more layoffs would be coming but declined to say how many, stating in corporate-speak that the layoffs will “right-size the business to achieve positive free cash flow and profitability.” He also did not elaborate on the amount of any severance, telling anxious employees only that “I will guarantee you that whoever leaves is going to leave with dignity.” No doubt those to be laid off will receive, all combined, only a tiny fraction of what Neumann will get.

An anonymous employee told *Vox* that at the meeting, “Very little additional information was given about the things that employees care about: layoffs, severance, retention, and equity packages. It was a lot of the same ‘trust us, wait and see’ responses we’ve been getting the last month.”

The company, valued at \$47 billion in January 2019, was valued at only \$8 billion under the terms of SoftBank’s takeover. As a result, employee stock in the company is now worth very little. Over the last two years, Softbank poured more than \$11 billion into the company, more than its current value.

Compounding WeWork’s dubious financial position, last week the company shut down 2,300 “phone booths,” used as private rooms in the company’s open-plan offices, due to concerns about elevated levels of formaldehyde, a potential carcinogen.



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