

## **Why did WeWork never work anywhere, including the US?**

The most staggering reason is the bad reputation that WeWork built in the US.

WeWork was a novel and welcomed idea by founder Adam Neumann, allowing anyone to rent a desk for as long or as little as needed and mingle with other freelancers or startup founders.

Kind of like how Airbnb is for resting spaces.

In 2016, WeWork was worth an impressive \$10 billion and was dubbed one of the most innovative companies in the world. In financial markets, it was known as a unicorn.

This hype worked well, and by the end of 2016, WeWork announced it had raised more than \$1.7 billion in private capital.

But as history shows, the seeds of an empire's downfall often appear at its peak.

WeWork was a prime example of this.

It was later discovered that WeWork was actually only worth \$10 billion. In 2018 alone, the company disclosed a loss of \$2 billion. It went from astronomical heights to near bankruptcy in just six weeks.

The fantasy of WeWork began to unravel, with numerous lawsuits surfacing that year.

This wasn't the only reason for WeWork's downfall and its inability to continue operating in the US.

The founder, Adam Neumann, played a huge bad boy role in overinflating the company's self-worth.

When WeWork was at its peak, Neumann bought the rights to the word "We" and branded it on everything. He tried to launch WeGyms, WeLiving spaces, and even WeSchools.

The idea was that you could essentially live every aspect of your life in a We space if you bought into it.

This kind of overexpansion caused WeWork's progress to slow down by 88% worldwide.

Many believed that Neumann himself had become a problem - selling stock for his personal gain and leasing out his own buildings to WeWork, simply making himself both landlord and tenant.

This suggested that the only consistently profitable aspect of WeWork was Neumann himself.

Given such a tarnished reputation and a track record of overvaluation and scandal, it's clear why no country, including the USA, would easily allow WeWork to restart.

WeWork tried to sustain in the Indian culture but now failed because of a valuation game that they played.

Whenever we hear the word valuation, we tend to believe it reflects a company's overall ability to shape the world in a better way.

But WeWork India and WeWork US, are playing a different level of game with valuation.

There is a real estate company called Embassy, which owns 73% of WeWork India.

WeWork US, the original company, owns the remaining 27%.

Unfortunately, WeWork US is bankrupt - we all know the reasons. So, it wants to sell off its 27% stake in WeWork India to deal with bankruptcy-related needs, such as repaying lenders and covering legal expenses.

Everything seems fine so far.

But not anymore, because they are playing a game:

Embassy is buying out WeWork US's 27% stake for ₹700 crore.

That values WeWork India at ₹2,600 crore (\$310 million).

The Embassy will then own 100% of WeWork India.

All fine, right? But then, Embassy itself plans to sell 40% of WeWork India to outside investors for ₹1,200 crore. That values the company at ₹3,000 crore (\$360 million).

This means there are already two valuations here.

Embassy buys from WeWork US at a ₹2,600 crore valuation and sells to Enam Group and others at a ₹3,000 crore valuation - a 16% difference. But let's put that aside for now.

There's more happening.

Embassy doesn't truly end up owning 100% of WeWork India. In reality, it might, but it's just flipping its stake.

And this flip of stakes is forcing WeWork India to exit India.