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Causes of Technology-Firm IPO Failure and Lessons for Compliance: A Case Study of WeWork's Withdrawn Listing

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Abstract: On September 30, 2019, The We Company, parent of the shared-office provider WeWork, withdrew the S-1 registration statement for an IPO prepared at a US$47 billion valuation, 47 days after the filing became public. This paper reconstructs the failure as a case study along four threads: valuation formation, corporate governance, disclosure, and market timing. The design is an explicit single-case study: the case is selected as an extreme and information-rich instance, evidence is triangulated across three tiers of sources under a stated dating rule, and three offerings from the same September 2019 window serve as comparative reference points that hold market-wide conditions roughly constant. The private valuation built through successive SoftBank mark-ups never faced a market test, and option-based revaluation research shows that unicorn price tags overstate fair value by close to one half on average. Super-voting shares carrying 20 votes each, buildings the founder leased back to the company, a trademark purchase from a founder-affiliated entity, and a family-run succession plan put agency costs on open display, while the invented metric of community-adjusted EBITDA drained the credibility of the financial statements. The market turned after the Uber and Lyft debuts disappointed, and the issuance window closed. The analytical claim of the paper is that these four threads formed one coupled mechanism rather than four parallel causes, and the comparison cases are consistent with that reading, although a single case can support a mechanism and not a demonstration of causality. The case yields lessons for smaller technology issuers on valuation discipline, pre-filing governance reform, and cash planning, separated here into lessons that transfer across issuer size and lessons specific to late-stage unicorns, and it maps the work of the IPO compliance function across related-party clean-up, non-GAAP metric control, governance benchmarking, red-team review, and gatekeeper positioning.

Keywords: IPO Failure, Corporate Governance, Dual-Class Shares, Information Disclosure, Compliance Management

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1. Introduction

On August 14, 2019, The We Company filed its S-1 registration statement publicly with the U.S. Securities and Exchange Commission and set the listing of the shared-office operator WeWork in motion. Forty-seven days later, on September 30, the company asked to withdraw the filing and abandoned the offering (The We Company, 2019). Eight months before the withdrawal, SoftBank had invested at a valuation of US$47 billion. Two weeks before the withdrawal, Reuters reported a target valuation of

US$10–12 billion. A valuation that shrank by more than 70% within weeks still could not carry the deal, and the episode has since served as a principal reference case in the study of technology-firm IPO failure.

The literature reads IPO failure in two ways. One reading covers offerings that are completed but priced poorly or trade badly afterward. The other covers offerings that die before completion. Dunbar and Foerster (2008) track the second kind. In their sample, about 9% of withdrawn issuers later returned to the market and completed an IPO. Withdrawal is the costliest form of failure: underwriting and legal fees are sunk, business secrets and financial details are already public, and the withdrawal itself becomes a public indication that the offering could not be placed. WeWork is the withdrawal case with the most complete evidentiary chain. The failure occurred before the roadshow began, its causes played out in the exchange between the filing and market feedback, and every step left a public document.

The speed with which business schools and legal scholars moved on the case speaks to its weight. Harvard Business School published two teaching cases within months of the S-1 becoming public, one centered on board oversight and one on valuation (Paine & Hurwitz, 2019; Lietz et al., 2019). Kellogg and Darden followed with cases devoted to the collapse of the offering and the failure of its governance (Markovich & Meagher, 2021; Cheng & Maiden, 2021). Legal scholarship treats the company as a leading example of governance problems at the unicorn stage. Langevoort and Sale (2021) read the episode as corporate adolescence in which governance matured more slowly than scale. Westbrook (2021) uses it to examine how stakeholders in unicorn companies absorb the damage.

A methodological consideration also favors WeWork over other failed offerings. For most withdrawn IPOs the public record ends with a one-page announcement, and any account of causes rests on conjecture. WeWork's S-1, its two amendments, the SEC comment letters, the underwriters' pricing probes, and the public statements of institutional investors all landed within six weeks, and every link in the failure carries a timestamp. At most decision points the issuer moved in the direction that the pricing, governance, and disclosure literatures identify as costly, and the consequences became observable within weeks rather than years. That density of dated evidence is what makes the case analytically useful. It also carries the selection and inference problems that any outcome-known case carries, and Section 3 sets out both the use and the limits of the record.

This paper asks four questions. First, why could a company backed by the world's largest venture investor and carrying a US$47 billion paper valuation not complete even a deeply discounted offering? Second, how did the proximate causes act on one another, and does their coupling account for more than their sum? Third, what does each link in the chain of failure mean for small and medium-sized technology firms preparing to list, and which links do not survive the difference in scale? Fourth, what working procedures can an issuer's internal compliance function distill from the episode? The analysis draws on the S-1 and its amendments (The We Company, 2019), two book-length investigations built on interviews with participants (Brown & Farrell, 2021; Wiedeman, 2020), and contemporaneous reporting by the financial press, weighted according to the source protocol in Section 3.2. The paper first reviews the literature and states the gap the case addresses (Section 2). Section 3 sets out the research design. Section 4 assembles the factual record. Section 5 dissects the causes of failure along the four threads of valuation, governance, disclosure, and timing, and examines how they interact. Sections 6 to 8 draw the lessons for smaller issuers, the implications for the compliance function, and the limits of what a single case can support.

Three contributions follow. The first is analytical. The existing academic treatments of this case each hold one thread in focus. The teaching cases of Paine and Hurwitz (2019) and of Lietz, Shu, and Bracken (2019) examine board oversight and valuation; Cheng and Maiden (2021) and Markovich and Meagher (2021) reconstruct the governance failure and the collapse of the offering; Langevoort and Sale (2021) read the episode as a mismatch between corporate scale and governance maturity; Westbrook (2021) traces who absorbs the loss when supervision at the unicorn stage is absent. Each account holds within its thread, and none asks how the threads acted on one another. That question is the center of this paper: Section 5.6 sets out the coupling and Figure 2 states it in compact form. The second contribution is methodological. The book-length accounts (Brown & Farrell, 2021; Wiedeman, 2020) are rich in interview material but do not separate what was knowable before September 30, 2019, from what became known afterward. This paper draws that line explicitly, restricts every inference about the failure to evidence dated before the withdrawal, and places three offerings from the same market window beside WeWork so that conditions common to the market are held roughly constant. The third contribution is applied. Section 7 converts the case into compliance procedures with defined triggers, owners, and outputs, a translation the case literature on this episode has not attempted.

2. Literature Review

2.1. IPO Pricing, Information Asymmetry, and Withdrawal

Akerlof (1970) supplies the prototype of the securities-offering problem. When the seller knows more about asset quality than the buyer, buyers cut their bids, good sellers leave, and the market drifts toward lemons. Rock (1986) carries the logic into new issues. Uninformed investors bid alongside informed ones, the allocations they win are skewed toward overpriced stock, and issuers

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must underprice to compensate them for this winner's curse; underpricing is the price of information asymmetry. Beatty and Ritter (1986) add the underwriter to the picture. The underwriter stakes its reputation on the offer price, and reputational capital keeps that price within a defensible range. Benveniste and Spindt (1989) read the roadshow and bookbuilding as machinery for collecting information: the underwriter trades allocation priority for the true demand of institutional investors, and the offer price moves with the feedback. Together these four papers support one judgment. IPO pricing is the process through which an issuer transmits information to the public market and has it verified, and prices formed in the private market carry no standing of their own in that process. Ritter and Welch (2002) organize the evidence on the going-public decision, pricing, and allocation under the twin headings of information asymmetry and agency, and their survey supplies the coordinates for the discussion below. Bookbuilding also has a boundary as a pricing device. When roadshow feedback is weak, the underwriter cuts the price range on schedule, and the cut itself broadcasts weak demand to the whole market. If the issuer keeps discounting below the range, buyers wait for a still lower price, and the procedure slides from collecting information to exposing it.

The size of the discount swings with the market cycle. Loughran and Ritter (2004) report average first-day returns of about 7% in the 1980s, about 15% in 1990–1998, 65% in the bubble years of 1999–2000, and 12% in 2001–2003. Ibbotson and Jaffe (1975) first documented hot-issue markets, and the clustering of new-issue returns means the window opens and shuts. Ljungqvist and Wilhelm (2003) trace bubble-period pricing to changes in insider ownership and cash-out structures, with the dilution of insider cash-flow rights moving together with extreme first-day returns. Lowry (2003) splits the fluctuation of IPO volume into two forces, firms' demand for capital and investor sentiment; the window stands open while sentiment runs high and shuts within weeks once it turns.

Withdrawal is the extreme form of a closing window. Busaba, Benveniste, and Guo (2001) show that a credible option to withdraw is itself a bargaining tool that lowers the underpricing an issuer must concede, and the credibility of that option rests on how little the issuer depends on the proceeds. Dunbar and Foerster (2008) follow what happens afterward: fewer than one issuer in ten returns to the market, and the record of withdrawal weighs on the odds and on the pricing of a second attempt. Demers and Joos (2007) build an IPO failure-risk model in which pre-listing operating performance, financial leverage, and underwriter reputation all enter the failure probability, and the risk structure of high-tech issuers differs sharply from that of nontech issuers. On motives and timing, Pagano, Panetta, and Zingales (1998) find with Italian data that firms list near industry valuation peaks and that cash-out by existing shareholders ranks beside financing as a motive. Chemmanur and Fulghieri (1999) start from investors' information-production costs and explain why firms wait until scale and name recognition accumulate before listing. Brau and Fawcett (2006) survey 336 CFOs and find that the state of the overall stock market ranks first among timing considerations, ahead of the firm's own need for funds.

The withdrawal literature is thinner than the volume of IPO research suggests, and it is worth being precise about what it supplies here. Dunbar and Foerster (2008) provide a base rate rather than a profile. Their sample pools withdrawals across two decades and across hot and cold markets, and the finding that fewer than one issuer in ten returns is unconditional on issuer characteristics. Applied to WeWork the number is a boundary condition rather than a forecast, since the firm sits far from the center of that distribution on every observable dimension: the size of the intended raise, the prominence of the lead investor, the tier of the underwriting syndicate, and the volume of press coverage. What the withdrawal literature does supply directly is the mechanism of the decision. Busaba, Benveniste, and Guo (2001) locate the value of the withdrawal option in the issuer's independence from the proceeds, and Demers and Joos (2007) show that weak pre-listing operating performance raises the risk of failure; a high pre-listing burn rate is what removes that independence. On both counts WeWork was the polar case, and Section 6.3 builds the practical rule on this point. The comparison introduced in Section 3.4 is designed in part to supply what a pooled base rate cannot, since a withdrawn issuer from the same weeks gives a contrast that a sixteen-year average cannot give.

2.2. Agency Problems, Boards, and Dual-Class Shares

Jensen and Meckling (1976) define agency costs as the divergence of interest between managers and outside shareholders; the smaller the manager's cash-flow stake, the stronger the incentive to consume corporate resources for private benefit. Fama and Jensen (1983) treat the separation of decision management from decision control as the organizational condition for containing agency problems. Managers propose and execute, boards ratify and monitor, and a decision system loses its checks when both functions sit in one person. The survey by Adams, Hermalin, and Weisbach (2010) reaches a sober conclusion: a board's monitoring power depends on its access to information and on its independence, and a dominant CEO can hollow out both. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (2000) argue from law and finance that the strength of investor protection sets the price outside capital will pay for a given control structure.

Most of this work samples mature listed firms. Boards at the unicorn stage live in a different ecology. Seats follow financing rounds, investor directors sit in repeated games with the founder, and later-round investors avoid conflict to protect their allocation

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in the next round, so the monitoring function thins out round by round. Westbrook (2021) treats this structural indulgence as the weak point of unicorn governance, with employee shareholders and later small investors paying for it.

Governance also carries a signaling function at the IPO. Certo (2003) argues that board prestige signals organizational legitimacy to investors who have never met the firm. Filatotchev and Bishop (2002) find in a U.K. IPO sample that board composition and share ownership correlate with underpricing, which writes the face of governance directly into the price.

The dual-class literature sits closest to this case. Gompers, Ishii, and Metrick (2010) find that firm value falls as the wedge between insider voting rights and cash-flow rights widens. Masulis, Wang, and Xie (2009) supply the channel evidence: as the wedge widens, corporate cash is worth less to outside shareholders, CEOs earn more, acquisitions destroy more value, and capital expenditure contributes less to firm value. Bebchuk and Kastiel (2017) argue from law that whatever efficiency case a dual-class structure has at the IPO decays with time, that a perpetual structure cannot stand, and that sunset provisions should cap its life. Aggarwal, Eldar, Hochberg, and Litov (2022) count nearly 30% of U.S. IPOs in 2017–2019 as dual-class, with the share above one-half in cloud and related technology industries. They trace the rise to the bargaining power of star founders. Capital competes for scarce deals, governance concessions become the currency of the auction, and the stronger the founder's hand, the rarer the sunset clause.

2.3. Unicorn Valuation, Certification, and Gatekeepers

Gornall and Strebulaev (2020) revalue 135 American unicorns with option-pricing methods. Liquidation preferences, ratchets, and veto rights in venture contracts push the price of the latest preferred round far above the fair value of common stock, and multiplying that price by all shares outstanding overstates post-money valuation by 48% on average; after revaluation nearly half of the firms fall below the billion-dollar threshold. Venture certification also has limits. Megginson and Weiss (1991) show that reputable venture backing lowers the information costs of an offering, on the premise that the interests of the venture investor and of public investors broadly align. When a single investor is at once the largest shareholder and the manufacturer of the valuation, certification turns into a conflict of interest.

The disclosure literature supplies the benchmark for judging a prospectus. The evidence gathered by Healy and Palepu (2001) shows that the credibility of disclosure rests on third-party verification and on punishment after the fact, and that the selectivity of voluntary disclosure is itself a source of risk. Teoh, Welch, and Wong (1998) find that issuers with aggressive pre-IPO earnings management earn three-year post-listing returns about 20 percentage points below those of conservative issuers; the correction to dressed-up statements arrives in the aftermarket rather than at the offering. Spence (1973) supplies the test that separates signal from decoration: only costly, hard-to-imitate behavior makes a credible signal, and language does not qualify.

Gatekeeper research closes the chain. Coffee (2002) diagnoses Enron as the failure of auditors, analysts, and lawyers whose reputational constraints gave way during the bubble, with gatekeepers leaning toward whoever paid them. Klausner, Ohlrogge, and Ruan (2022) dissect SPACs and find costs built into the structure at a median of 62% of cash delivered, more than twice the 28% median cost of a traditional IPO, with market-adjusted post-merger returns broadly negative. What the bypassed review would have caught, later shareholders end up paying for.

2.4. The Research Gap: Interaction Rather Than Enumeration

The four literatures reviewed above are mature on their own terms and largely separate from one another. Pricing research treats governance as one of several issuer characteristics that enter the price. Governance research treats the offering as the moment at which a control structure is locked in. Disclosure research treats the prospectus as a signal whose credibility rests on verification. Gatekeeper research treats external certifiers as the constraint that binds when internal ones do not. Each carries an implicit additive logic: a defect on one dimension widens the discount by some amount, and defects are summed.

Two features of the WeWork record resist that logic. The first is sequence. The governance terms were not an independent defect priced alongside the valuation. They were affordable to the issuer precisely because a single investor kept raising the price without asking for anything in return, which is a statement about how one defect produced another. The second is the response to repair. When the issuer removed its most criticized terms inside the filing window, the indicated price did not recover, which is difficult to reconcile with an additive account in which withdrawing a discount factor restores the discounted amount. An interaction account accommodates the non-recovery: by mid-September the terms were no longer being priced as terms but read as evidence about the quality of the file and the judgment of those who cleared it.

The gap addressed here is therefore not a missing fact about WeWork but a missing structure. The literature explains each of the four defects; it does not explain their coupling, and case-based work on this episode has so far enumerated the defects rather than connected them. Section 5.6 proposes the coupling and Figure 2 presents it, while Section 3 sets out the evidentiary discipline under which a single case can support a claim of this kind and the point beyond which it cannot.

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3. Research Design

3.1. Case Selection

The study is a single-case design of the type Yin (2018) classifies as extreme and revelatory. The phenomenon of interest, the failure of an offering before pricing, appears here in unusually pure and unusually well documented form. Flyvbjerg (2006) argues that extreme cases carry more information than average ones because the mechanisms under study operate at high amplitude and become observable without fine measurement. Both conditions hold. The valuation gap, the voting wedge, and the metric engineering each sat at or beyond the edge of their empirical distributions, and each is recorded in a filed instrument rather than inferred from behavior.

Four alternatives were considered and set aside. Uber's 2019 offering was completed, so it identifies mispricing rather than failure, and it enters below as one of the market-condition benchmarks rather than as a focal case. Katapult and Boxed, both of which reached the public market through SPAC mergers in 2021 and both of which failed afterward, leave a thin pre-listing record, because that route generates no roadshow, no bookbuilding feedback, and no comparable comment-letter exchange, so the causal chain of interest cannot be traced through them. Kozmo.com withdrew in 2000 under a regime that predates the Sarbanes-Oxley and JOBS Act architecture, which limits the transfer of any procedural lesson. WeWork was selected because it is the only recent withdrawal in which every step between filing and abandonment is dated and documented.

Selecting on a known outcome is a design choice with costs, and the costs are stated here rather than deferred to a closing caveat. Denrell (2003) shows that reasoning from surviving or failing cases alone yields confident but unsound rules, because the same antecedents may populate the unobserved arm. Section 3.4 introduces comparison cases for that reason, and Section 3.5 states what the design can and cannot support.

3.2. Data Sources and Source Evaluation

Evidence is drawn from three tiers, ranked by proximity to the event and by exposure to legal liability. The first tier is the registration file and the regulatory correspondence: the S-1 filed publicly on August 14, 2019, the amendments of September 4 and September 13, the withdrawal request of September 30, and the staff comment letters and issuer responses later released by the SEC under the Freedom of Information Act. These documents were prepared under liability and are treated as authoritative for what they state on their face. The second tier is the reconstructive literature: two book-length investigations built on interviews with participants (Brown & Farrell, 2021; Wiedeman, 2020), four teaching cases prepared from documentary records (Cheng & Maiden, 2021; Lietz et al., 2019; Markovich & Meagher, 2021; Paine & Hurwitz, 2019), and legal analyses of the episode (Langevoort & Sale, 2021; Westbrook, 2021). These sources carry information no filing contains, in particular about internal deliberation, and they also carry the recall and selection problems of retrospective interviewing. The third tier is contemporaneous reporting by Reuters, Bloomberg, the Wall Street Journal, the Financial Times, and CNBC, used chiefly for dated market facts such as the reported target valuation ranges.

Four rules govern the use of this material. Quantitative claims are taken from the first tier wherever the first tier speaks. A third-tier claim is retained only where a second independent outlet or a second-tier source carries it; the reported ranges of September 5 and September 13 meet that test and are labeled in the text as reported rather than filed figures. Where sources conflict, the filing governs and the conflict is noted. Statements about motive or internal deliberation are reported as attributions to their source rather than as established fact, since they rest on interviews that cannot be checked against a document. Every one of the four categories developed in Section 5 rests on first-tier evidence; second-tier and third-tier material supplies sequence and context.

3.3. Analytical Procedure

The four causes were derived from the record in three steps rather than adopted from the literature. The first step assembled a dated event chain from the filings and the contemporaneous press record, running from the confidential submission of December 2018 to the withdrawal of September 30, 2019, with a source and a tier label attached to each entry. Table 2 reports the condensed version.

The second step coded the reasons that participants gave at the time for the offering's difficulty. The material coded comprised the SEC staff comments, the concerns attributed to institutional investors during pre-roadshow soundings, the analytical objections published between August 14 and September 30, and the changes the issuer itself made in its amendments, on the reasoning that an amendment is a revealed statement about which objection the issuer judged binding. This produced first-order concerns at the level of individual items: the voting ratio, the succession clause, the four leased buildings, the trademark payment, the credit line secured on shares, the definition of community-adjusted EBITDA, the definition of contribution margin, the mission language, the gap between lease terms and membership terms, the peer-multiple gap against IWG, and the sequence of reported valuation cuts.

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The third step grouped the first-order concerns into second-order categories according to the mechanism through which each reached the offering price, rather than according to the corporate function to which each belonged. Items that change what a share is worth to an outside holder formed the valuation category. Items that change who controls the firm after listing formed the governance category. Items that change the reliability of the document formed the disclosure category. Items that change the price of risk in the market as a whole formed the timing category. Coding was carried out independently by two of the authors and then compared; the disagreements concerned classification rather than fact and were resolved by returning to the S-1 and assigning each item to the mechanism through which it enters an outside investor's valuation. The interaction analyzed in Section 5.6 was then examined by asking, for each ordered pair of categories, whether the record contains a dated event in which one category changed the state of another.

3.4. Comparative Reference Points

A single case cannot separate what belonged to the issuer from what belonged to the market of the moment. Three further offerings from the same weeks are therefore used as reference points: Endeavor Group Holdings, which postponed its offering on September 26, 2019, on the eve of pricing (Endeavor Group Holdings, 2019); SmileDirectClub, which priced above its range on September 11 and lost more than a quarter of its value on the first day of trading (SmileDirectClub, 2019); and Datadog, which priced above a raised range on September 18 and closed its first day well above the offer price (Datadog, 2019). All four issuers faced the same window, the same syndicate desks, and the same investor base within a span of three weeks, so conditions common to the market are approximately held constant and the variation that remains is firm-level. The design is a comparison of cases similar in timing and different in outcome rather than a matched-sample test. With four observations it can show that a given feature was not sufficient for failure, and it can order the cases by the number of features present; it cannot estimate the weight of any feature. Section 5.6 reports the comparison in Table 5.

Eisenhardt and Graebner (2007) argue that the persuasive force of case research rests on the fit between evidence and construct rather than on the number of cases, and Siggelkow (2007) makes the same point for the single case used to show that an accepted account is incomplete. The comparison here is used in that second spirit. It is offered to test the additive reading set out in Section 2.4 against the record, not to establish a frequency.

3.5. Validity, Hindsight, and the Limits of the Design

Three threats to validity follow from the design, and each is met with a procedure rather than an acknowledgment. The first is hindsight bias. Fischhoff (1975) shows that knowledge of an outcome raises the judged probability of that outcome and makes the antecedents appear more diagnostic than they were. The procedure adopted here is a dating rule: every claim about why the offering failed rests on evidence dated before September 30, 2019, and evidence from after that date is used only to describe what followed. The rule has a substantive consequence that is stated plainly. The bankruptcy of November 2023 is not treated as evidence about the correctness of the market's judgment in 2019, because four years and a structural contraction in office demand intervene, and either is a sufficient alternative explanation on its own.

The second threat is outcome-based selection. The comparison cases of Section 3.4 supply part of the missing arm, and the propositions of Section 6 are stated as conditional rules with scope conditions attached rather than as findings established by the case. The third is the limit on generalization. A single case supports analytical generalization to theory, not statistical generalization to a population (Yin, 2018). The mechanism proposed in Section 5.6 is therefore a proposition for testing on a larger sample, and Section 8.2 sets out how such a test could be built. Where the paper moves from the case to advice for other issuers, in Sections 6 and 7, the transfer is argued from the mechanism rather than from the outcome, and Table 6 separates the lessons that depend on features WeWork shares with smaller issuers from those that depend on features it does not.

4. Case Overview

4.1. Corporate Development and Financing History

WeWork was founded in New York in 2010 by Adam Neumann and Miguel McKelvey. The two had previously run a small eco-branded coworking business called GreenDesk in Brooklyn (Wiedeman, 2020). The business leases whole buildings or floors on long terms, converts them into desks, meeting rooms, and common space, and re-lets them by monthly membership to individuals and firms; the S-1 names the model space-as-a-service. By the time the S-1 became public the company ran 528 locations in 111 cities across 29 countries. Memberships stood at 527,000 as of June 1, 2019, up 97% from a year earlier (The We Company, 2019).

Capital pushed the business to expand far faster than its peers. Table 1 lists the major financing rounds. Benchmark led a US$17 million Series A in 2012 and partner Bruce Dunlevie joined the board. The Series D of December 2014 left the valuation near US$5 billion. SoftBank invested US$4.4 billion in August 2017 at about US$20 billion. In January 2019 SoftBank added US$2

billion and fixed the post-money valuation at US$47 billion. By the launch of the IPO, SoftBank and its Vision Fund had invested or committed about US$10.65 billion in total and stood as the largest outside shareholder (Brown & Farrell, 2021).

Table 1. Major Financing Rounds and Valuations of WeWork.

Date	Round or Event	Amount Raised (US$ Million)	Post-Money Valuation (US$ Billion)
2012	Series A led by Benchmark	17	—
Dec 2014	Series D	355	~5.0
Jun 2015	Series E	~434	~10.2
Mar–Oct 2016	Series F	—	16.0–16.9
Aug 2017	SoftBank investment	4,400	~20.0
Aug 2018	SoftBank convertible note	1,000	—
Nov 2018	SoftBank warrant arrangement	3,000	—
Jan 2019	Additional SoftBank investment	2,000	47.0

Expansion and diversification ran on the same capital clock. From 2016 the company stretched beyond offices into the co-living brand WeLive, then into a gym brand and a private school, and it bought more than ten companies with targets ranging from an events platform to marketing and software firms. In January 2019, it renamed itself The We Company and stated its mission as elevating the world's consciousness. Diversification did not change the revenue mix, since the S-1 shows that income outside office memberships stayed a small share, while the span of management and the burn of cash widened together (Brown & Farrell, 2021). At the other end of the burn sat subsidized customer acquisition. To pull members from competitors the company long offered free-rent periods and fit-out subsidies, and the gross margin in the rent spread went to expansion costs.

Figure 1 plots the path of post-money valuation. The bars for January 2019, October 2019, and 2021 are US$47 billion, US$8 billion, and US$9 billion. They correspond to SoftBank's final mark-up, the price set in the rescue, and the SPAC listing value, and the gap between private price tags and market-tested prices is visible at a glance.

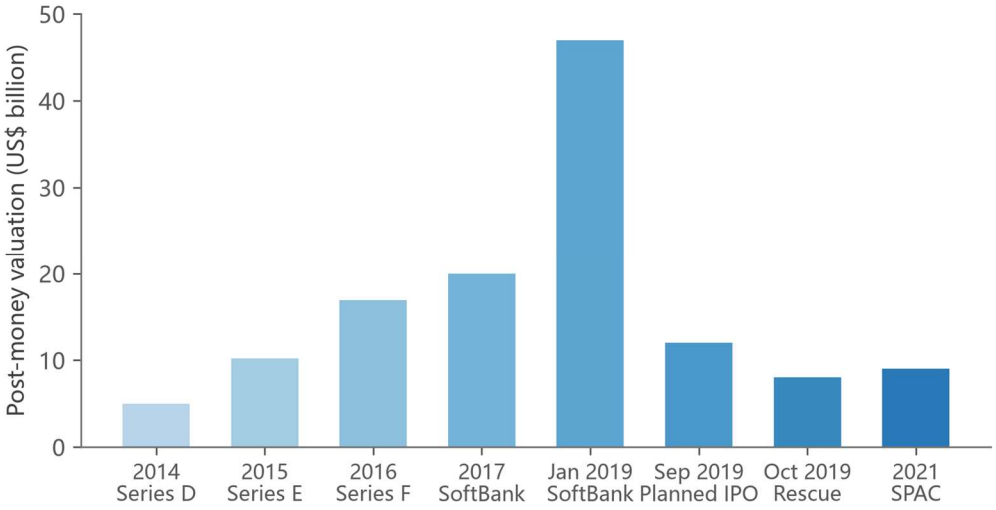


Figure 1. Post-Money Valuation of WeWork, 2014–2021.

Source: Compiled from The We Company (2019) and reporting by Bloomberg, Reuters, and CNBC; the September 2019 bar uses the upper bound of the reported target range.

4.2. The IPO Process and Its Aftermath

Table 2 sets out the timeline of the offering itself, from the disclosure of the confidential submission to the immediate aftermath of the withdrawal; the later corporate history is given in the text below rather than in the table. The amendment of September 4 unwound the trademark transaction. On September 5 Bloomberg reported a target valuation of US$20–30 billion. The amendment of September 13 cut the super-voting shares from 20 votes to 10 and abolished the succession committee; the company confirmed Nasdaq as its venue the same day, and Reuters reported a range of US$10–12 billion. On September 16 the company postponed the

offering. On September 24 Neumann resigned as CEO, and Artie Minson and Sebastian Gunningham took over as co-CEOs. On September 30 the company withdrew the S-1.

Table 2. Timeline of the WeWork IPO, April to November 2019.

Date	Event
Apr 29, 2019	Company disclosed a confidential draft registration statement submitted to the SEC in December 2018
Aug 14, 2019	S-1 registration statement became public
Sep 4, 2019	S-1 amended; the "We" trademark transaction unwound
Sep 5, 2019	Bloomberg reported a target valuation of US$20–30 billion
Sep 13, 2019	Governance amended: votes cut from 20 to 10 per share, succession committee abolished; Nasdaq confirmed; valuation reported at US$10–12 billion
Sep 16, 2019	IPO postponed
Sep 24, 2019	Neumann resigned as CEO
Sep 30, 2019	S-1 formally withdrawn
Oct 22–23, 2019	SoftBank announced a rescue package of about US$9.5 billion; company valued at about US$8 billion
Nov 21, 2019	About 2,400 employees laid off, near 19% of the workforce

Eight months separated the confidential submission from the public filing, and the company spent them on the rename, the reorganization, and the design of its governance terms. Forty-seven days separated the public filing from the withdrawal. The contrast between the two spans is the contrast in the intensity of scrutiny. During the confidential stage the document was examined only by the SEC staff; after August 14 it was examined by the market as a whole, and it did not withstand that wider examination.

The events that followed the withdrawal are set out here as the corporate history of the case rather than as confirmation of the market's judgment in 2019; the reasons for that distinction are given in Section 3.5. In late October SoftBank took control with a package of about US$9.5 billion: US$5 billion in new debt financing, a tender offer of up to US$3 billion for existing shares, and the acceleration of a US$1.5 billion equity commitment. The company was valued at about US$8 billion and SoftBank's stake reached about 80%. Neumann's exit terms combined a share-sale allowance of up to US$970 million, a US$185 million consulting fee, and a US$500 million credit replacement; the total came close to US$1.7 billion. SoftBank cancelled the tender in April 2020, and the ensuing litigation ended in February 2021 with a settlement at roughly half the original size (Brown & Farrell, 2021). On November 21, 2019, the company laid off about 2,400 employees, near 19% of its workforce. On October 20, 2021, it merged with BowX Acquisition Corp., and on October 21 it listed on the New York Stock Exchange through the SPAC route at about US$9 billion including debt. On November 6, 2023, it filed for Chapter 11 protection with reported liabilities of about US$18.65 billion. On June 11, 2024, it completed its restructuring, shed more than US$4 billion of debt, and left bankruptcy.

4.3. Financial Position and the Structure Beneath the Business Model

Table 3 extracts the financial data disclosed in the S-1. Every doubling of revenue came with a doubling of losses. The consolidated net loss of US$1,927 million in 2018 exceeded the year's revenue of US$1,822 million. Revenue in the first half of 2019 reached US$1,535 million against a consolidated net loss of US$904.7 million (The We Company, 2019). Two qualifications belong with these figures. They are the issuer's own disclosures rather than independently verified data: the annual statements were audited, the interim figures for 2019 were not, and the operating measures discussed below rest on definitions the company set for itself. The figures are used here as evidence of what investors were given to read in September 2019, which is the use the argument requires, and not as an independent measurement of the firm's economics.

Table 3. Financial Data Disclosed in The We Company's Prospectus (US$ Million).

Item	2016	2017	2018	H1 2019
Revenue	436.1	886.0	1,821.8	1,535.4
Consolidated net loss	429.7	933.5	1,927.4	904.7
Net loss attributable to the company	429.7	884.0	1,610.8	689.7

Note: Figures as reported by the issuer, with the annual periods audited and the 2019 interim period unaudited.

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The defining feature of the balance sheet is maturity mismatch. The S-1 records future minimum lease payment obligations of US$47.2 billion under signed leases as of June 30, 2019, and U.S. leases carried an average initial term of about 15 years. On the revenue side the average commitment under a membership agreement ran just over 15 months, and monthly members could leave at will. Costs lock for fifteen years while revenue swings by the month. In a downturn the rent obligations do not shrink by a dollar and member churn arrives at once. The S-1 itself lists this mismatch among its risk factors, where the presentation of growth reduced its prominence (Lietz et al., 2019).

The dispute over profitability centers on the split between location economics and company economics. Management held that mature locations earned a positive contribution margin and that losses were the accounting shadow of new locations ramping up. Critics replied that the definition of a mature location, the allocation of headquarters costs, and the classification of marketing spend all rested with the company, and that profit on the location count could not be converted into a date for profit overall (Lietz et al., 2019). The dismissal of nearly one fifth of the staff and the wide closures after the failed offering support the critics.

The S-1 presented US$4.0 billion of committed revenue backlog as a selling point. Read against the US$47.2 billion of lease obligations on the same balance sheet, the direction of the leverage is plain. Contracted revenue covered less than a tenth of the lease bill, and the gap rested entirely on future members and future funding rounds (The We Company, 2019). Each step of growth deepened the dependence on the next round of outside money.

The other pillar of the financial narrative was an invented metric. In April 2018, the company introduced community-adjusted EBITDA in the documents for its first bond sale, adding back marketing, administrative, and development and design costs and turning a loss into a positive US$233 million. The issue was raised from US$500 million to US$702 million at a coupon of 7.875%, and bond analysts said at the time that they had never seen the phrase (Brown & Farrell, 2021). The metric was dropped from the 2019 S-1 in favor of the similar contribution margin, and the SEC's letter of August 30 said the term risked misleading investors.

5. Causes of the IPO Failure

5.1. Business Model: A Technology Narrative at Odds With an Asset-Heavy Base

The S-1 presents WeWork as a technology platform out to change how people work, with a mission to elevate the world's consciousness and a dedication addressed to the energy of we (The We Company, 2019). The rhetorical density of the file stands out of proportion to the business it discloses. The word technology appears 93 times in the S-1 and 110 times counting variants, while nearly all revenue came from the spread between long-term rents paid and short-term rents charged, the asset side carried long lease liabilities, and the differences from the conventional office operator IWG lay in brand and fit-out rather than in technology. The objection was available before the withdrawal and was made publicly at the time. Two days after the S-1 became public, Scott Galloway of New York University published an analysis that disassembled the valuation item by item using nothing beyond the filed document, and concluded that the offering would not proceed on the terms proposed. The property investor Sam Zell made the sector-history argument in a televised interview, observing that earlier high-leverage expanders in the serviced-office industry had ended in insolvency (Wiedeman, 2020). Both objections carry dates before September 30, 2019, which is what admits them to the causal account under the rule set out in Section 3.5.

The choice of valuation lens magnified the mismatch. Pricing a property operator on a technology platform's revenue multiple and pricing it on property-sector multiples produce results an order of magnitude apart. IWG ran more than 3,300 locations in over 110 countries, earned revenue of GBP 2,535 million and operating profit of GBP 154 million in 2018, and carried a market value of about US$3.7 billion in August 2019. WeWork operated fewer than one sixth as many locations, and its US$47 billion price tag ran to more than ten times IWG's market value (Lietz et al., 2019). Spence (1973) defines the standard that exposes the gap. A credible signal must cost something and resist imitation, and writing technology company into a prospectus costs nothing. Public investors discounted the narrative to zero, the anchor slid from technology multiples back to property multiples, and the US$47 billion price lost its footing.

5.2. Valuation Formation: Serial Mark-Ups by a Single Buyer and Public-Market Repricing

WeWork's US$47 billion was not the outcome of competitive bidding but the book entry of one investor raising its own price again and again. Every large round after 2016 was led by SoftBank. The US$2 billion of January 2019 was the residue of a US$16 billion buyout plan that the Vision Fund's limited partners had rejected; the size shrank to an eighth while the price tag stayed (Brown & Farrell, 2021). The revaluation results of Gornall and Strebulaev (2020) suggest that unicorn labels overstate value by 48% on average even without any special role for the lead investor. WeWork stacked two further distortions on top of that baseline: preferential terms and a single buyer. No independent party had tested the price against public-market standards before the S-1 went out. The certification logic of Megginson and Weiss (1991) ran in reverse here. Serial mark-ups by the largest shareholder did not lower information costs; they became the information cost, since investors first had to work out why SoftBank paid US$47 billion

before they could set their own bid. The mechanism is worth stating precisely, because it is the link on which Section 5.6 turns. A price set by one buyer who is also the largest holder conveys that buyer's reservation value and nothing about anyone else's, so it cannot serve the verification function that Ritter and Welch (2002) assign to the pricing process. The absence of verification is not merely an absence of information. It removes the occasion on which an outside investor would have demanded something in exchange for the price, which is where governance concessions are ordinarily extracted.

The underwriters did not act as the reputational constraint described by Beatty and Ritter (1986). They bid the price up to win the mandate, and the valuations shown to the company in the pitch process reached US$65 billion (Wiedeman, 2020). The gatekeeper failure described by Coffee (2002) replayed at the front end of the offering: the gatekeeper's number served the pitch, not the market. The pre-roadshow price probes then ran downhill in one direction, to US$20–30 billion in early September and to US$10–12 billion by mid-month, and investors read every cut as an admission that the previous number had been inflated. The sequence is consistent with an adverse-selection spiral in the sense of Akerlof (1970). Lower prices no longer created demand, only deeper doubt. Rock's (1986) winner's-curse logic ran in reverse as well, since once every investor suspects being the last buyer, no price draws a full book.

The anchoring predates the filing. When SoftBank added US$2 billion at US$47 billion in January 2019, the abandoned US$16 billion control plan was already dead, and keeping the old price tag avoided a write-down while pushing the company into a valuation corridor that could move up but never down (Brown & Farrell, 2021). The public filing forced the lower bound of the corridor open, and the accumulated pressure released at once. The 47 days did not destroy value. They compressed a repricing that successive private rounds had deferred, and the compression is what made the movement appear catastrophic.

5.3. Corporate Governance: Super-Voting Rights, Related-Party Dealings, and Family Arrangements

The governance chapter of the S-1 reads as a textbook list of agency problems, summarized in Table 4 (The We Company, 2019).

Table 4. Governance and Related-Party Arrangements Disclosed in the S-1.

Arrangement	Original Disclosure	Amended Outcome
Super-voting shares	Class B and Class C stock carried 20 votes per share against 1 vote for Class A	Cut to 10 votes on Sep 13; cut to 3 votes on Oct 30
Succession	On Neumann's death or incapacity, a committee of his wife Rebekah and two directors would choose the next CEO	Committee abolished; family members barred from the board
Related-party leases	Four buildings partly owned by Neumann were leased to the company; US$4.2 million of rent paid in H1 2019; US$237 million of future minimum rent	Interests committed to the company's property platform ARK
Trademark transaction	About US$5.9 million in partnership interests paid to a Neumann-affiliated entity for the "We" trademark	Unwound on Sep 4; interests returned
Share pledges and cash-out	US$500 million personal credit line secured by shares, about US$380 million drawn; about US$700 million cashed out before the IPO	Credit line replaced by a SoftBank loan under the rescue package

Each entry lands on ground the empirical literature had already staked out. The 20-to-1 voting ratio sits at the extreme end of the sample in Gompers, Ishii, and Metrick (2010) and carried no sunset of any kind. The efficiency case whose decay Bebchuk and Kastiel (2017) describe could hardly begin here. Neumann cashed out about US$700 million before the IPO, his cash-flow rights kept falling while his votes did not, and the wedge described by Masulis, Wang, and Xie (2009) widened at unusual speed. The buildings rented back to the company and the trademark sale belong to the classic private-benefit extraction of Jensen and Meckling (1976). The succession clause moved the decision-control rights that Fama and Jensen (1983) assign to the board into the founder's family, which relocated a governance function into a private family arrangement. Beyond the individual deals, the reorganization tilted toward insiders as well. The July 2019 restructuring adopted an Up-C architecture in which insiders pay tax once at personal rates through partnership interests while public shareholders bear tax at both the corporate and the personal layer. The tax design was legal, its direction of benefit matched the super-votes and the related-party leases, and readers of the S-1 filed it on the same list (The We Company, 2019). The board stopped none of this before filing, which gives concrete form to the hollowed-out monitor of Adams, Hermalin, and Weisbach (2010). Langevoort and Sale (2021) name the condition corporate adolescence: the company

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grows to adult scale while its governance stays underage. Westbrook (2021) points to employees and later investors as the parties who absorb the damage when outside supervision is absent at the unicorn stage.

Investor reaction made governance pricing concrete. Institutional investors named the governance terms as their first reason for staying out during pre-roadshow soundings, and the concessions of September 13 failed to turn the judgment around, since reform after filing reads as forced confession rather than sound design (Cheng & Maiden, 2021). The board-signal findings of Certo (2003) and of Filatotchev and Bishop (2002) played out in the negative direction. The face of governance did not add to the price; it subtracted from it.

The cost of defective governance also shows in the price of repair. Once super-voting rights enter the charter, removing them requires the controller's consent. Neumann surrendered control only after the offering had failed and SoftBank had put about US$1.7 billion of exit consideration on the table. Governance repair thereby acquired a precise price: the sum a loss-making company paid to part with its founder approached its annual revenue. The argument of Bebchuk and Kastiel (2017) for sunset clauses turns concrete at this point. Where control rights are not limited in advance by a sunset provision, they retain a bargaining value that the company has to purchase in cash at the point of exit.

5.4. Disclosure: Invented Metrics and Document Quality

WeWork's disclosure problem was not concealment but packaging. The related-party deals, the lease obligations, and the losses all appear in the S-1. The trouble sat in the frame. The file substitutes growth narrative and mission language for an account of the path to profit, and it rebuilds the presentation of losses around invented metrics. Community-adjusted EBITDA turned a loss into a profit in the bond documents. The successor metric contribution margin was named in an SEC letter as potentially misleading. Press reports later put the correspondence between the company and the SEC over metric definitions at dozens of pages (Brown & Farrell, 2021). The conclusion of Healy and Palepu (2001) applies: the selectivity of voluntary disclosure is itself a signal, and investors respond to metric engineering not by recomputing but by cutting their trust in the statements as a whole. Set against the verification machinery that Healy and Palepu (2001) emphasize, WeWork's voluntary disclosure lacked both supports. Outside verification stopped at the statutory audit and never reached the invented metrics, and market punishment waits for the secondary market, which the company never reached. Teoh, Welch, and Wong (1998) document a correction that arrives in the aftermarket and takes about three years to complete. In this case, the equivalent adjustment arrived before the offering, which is the sense in which the pre-market stage substituted for the aftermarket discipline their evidence describes.

The rhetorical quality of the file deepened the doubt. The dedication, the consciousness-raising mission statement, and the narrative built around the founder's person sit poorly in a registration document. The financial press reproduced these passages at length and unfavorably, and professional investors read rhetorical density as the inverse of information density (Wiedeman, 2020). Bloomberg reported in November 2019 that the SEC's enforcement division had opened a preliminary inquiry into disclosure around the offering. The inquiry produced no public outcome, and it still marks where the regulator stood on the quality of the file.

The clearest available measure of disclosure quality is what an outside reader could do with the document. After the S-1 became public, analysts and journalists needed three days to do what internal procedures had not done in months. They tabulated the related-party arrangements, set the lease obligations beside the membership terms, and lined the valuation up against peers. Galloway's dissection used no non-public information at all. A registration statement that can be refuted from its own contents indicates a drafting and clearance process that never read the document as an adversarial reader would (Wiedeman, 2020).

5.5. Timing: The Narrowing Window in the Second Half of 2019

WeWork entered a closing window. Uber priced at US$45 on May 9, 2019, closed its first day down 7.6%, and traded about 30% below the offer price by late September. Lyft had listed in March and stood about 40% below its US$72 offer price by the end of September. Peloton closed 11% down on its September 26 debut, and WeWork had postponed its offering the week before (Markovich & Meagher, 2021). Within months, the public market had changed the terms on which it priced the combination of high growth and deep losses, and investors moved from paying for growth to requiring a visible path to profit.

The two forces in Lowry (2003) reversed together in 2019. The capital needs of loss-making unicorns had piled up to a record, and sentiment turned down. The hot-issue evidence of Ibbotson and Jaffe (1975) says the window opens and closes without regard to any single issuer. The bubble pricing recorded by Ljungqvist and Wilhelm (2003) ended when sentiment turned in 2000, and the serial breaking of unicorn debuts in 2019 restaged that script. Pagano, Panetta, and Zingales (1998) find that firms crowd into listings at industry peaks. WeWork pushed its offering past the peak, entered after the Uber and Lyft debuts had reduced investor tolerance for the asset class, and arrived carrying the most extreme loss structure of the cohort, so the timing error compounded the defects set out above. Timing costs were amplified through the financing structure as well. The syndicate's US$6 billion credit facility took effect only on completion of the offering, and the commitment died at the same moment the offering did. Equity and debt financing

broke on the same day. The rescue package had to be in place within three weeks for exactly this reason: the company could not wait for a second window.

In November 2019, SoftBank reported its first quarterly operating loss in fourteen years at about JPY 704 billion, and the write-down on WeWork reached US$3.4 billion in the quarter. The valuation method of the Vision Fund came under public scrutiny, and the convergence of private price tags on public prices completed itself in the form of realized investor losses.

5.6. The Interaction of the Four Mechanisms

Read across the whole run, the four threads behave less like four parallel causes than like one coupled mechanism. SoftBank's serial mark-ups exempted the company from market tests, so governance concessions never came up. Unconstrained governance indulged metric engineering and narrative disclosure. Once disclosure lost credibility, the offering had nothing left to lean on but market sentiment, and sentiment reversed exactly then. Any one break in the chain might have changed the outcome: an independent pricing exercise in 2017, removal of the super-votes before filing, or abandonment of the invented metric at the bond stage. The collapse need not have been so total. Items on a risk list are never independent events, and review that ticks them off one at a time misses precisely their product.

Figure 2 states the coupling. Four links carry it, and each is anchored in a dated event rather than in inference. The first runs from valuation to governance. Capital that arrives without a competitive price does not need to bargain, so the concessions a contested round would have extracted, a sunset on the voting ratio or the unwinding of the leases, were never on the table; the round of January 2019 added US$2 billion at an unchanged price tag and asked for none of them. The second runs from governance to disclosure. A board whose decision-control rights had been narrowed in the ways set out in Section 5.3 held no instrument with which to refuse a metric that management wished to publish, and community-adjusted EBITDA reached the bond market in 2018 without an audible internal objection. The third runs from disclosure to timing. A file that has lost its credibility cannot be priced on its own numbers, so the offering came to depend on the market's willingness to pay for growth narratives in general, which is the one variable an issuer does not control. The fourth closes the loop from timing back to valuation. The closing of the window forced the price probes downward, and each cut repriced not only the offering but the private marks behind it, which is why SoftBank's write-down followed within weeks.

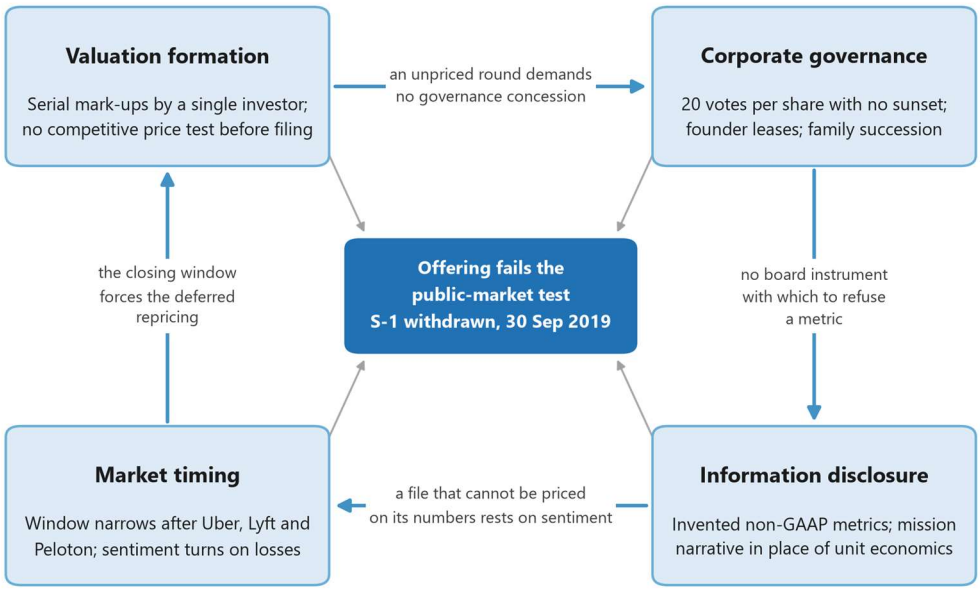


Figure 2. The Four Causes of Failure as a Coupled Mechanism.

Note: Each arrow marks a direction in which one mechanism changed the state of another, and each is anchored in a dated event in the record set out in Section 5. The figure states a proposed mechanism, not an estimated relationship.

Source: Authors.

The coupling accounts for two features of the record that an additive reading leaves unexplained. It accounts for the failure of repair. On September 4 and September 13, the issuer removed the trademark transaction, halved the voting ratio, and abolished the

succession committee, which in an additive account should have recovered the portion of the discount attributable to those terms. The offering was postponed three days later. Under the coupled reading, the terms had by then ceased to function as terms and had become evidence about the reliability of the file and of the people who cleared it, and evidence of that kind is not withdrawn by amending the item that produced it. The coupling also accounts for the speed. Four defects corrected in sequence take quarters to resolve; four defects that each supply the conditions for the next fail together as soon as any one of them is tested, and the public filing tested all four at once.

The comparison cases sharpen the reading without proving it. Table 5 places WeWork beside three offerings from the same three weeks. Datadog carried a dual-class structure with 10 votes per Class B share and completed its offering above a raised range, which is enough to show that a voting wedge was not sufficient for failure in this window. SmileDirectClub carried a comparable voting wedge together with an umbrella partnership structure and a loss-making model, priced above its range, and lost more than a quarter of its value on the first day of trading, which places it between the two poles. Endeavor Group Holdings carried a multi-class structure, an umbrella partnership, heavy acquisition-related leverage, and thin profitability, and it postponed on the eve of pricing. WeWork carried every feature in the set, in each case at a more extreme setting, and never reached pricing at all. The ordering of outcomes tracks the number of coupled features rather than the presence of any single one. With four observations, this is a pattern and not a test, and it is reported as evidence that the additive reading is incomplete rather than as an estimate of anything.

Table 5. Four Technology Offerings in the Same Market Window, 2019.

Issuer, Filing, and Outcome	Financial Profile at Filing	Governance and Structure	Position in the Configuration
WeWork (The We Company). S-1 public Aug 14, 2019; withdrawn Sep 30, 2019, before the roadshow	2018 revenue of US$1,822m against a consolidated net loss of US$1,927m; US$47.2bn of future lease payments against about 15 months of average member commitment	20 votes per share with no sunset; founder leases; trademark payment; family succession clause; Up-C structure	All four mechanisms present, each at an extreme setting
Endeavor Group Holdings. S-1 public May 23, 2019; offering postponed Sep 26, 2019, on the eve of pricing	2018 revenue of about US$3.6bn with thin margins and heavy acquisition-related debt	Multi-class structure concentrating voting control in the two founders together with Silver Lake; Up-C structure	Governance concentration and leverage present; no comparable metric or narrative problem
SmileDirectClub. S-1 public Aug 16, 2019; priced Sep 11 at US$23, above the US$19–22 range	2018 revenue of about US$423m against a net loss of about US$75m	10 votes per Class B share; Up-C structure	Governance concentration and losses present; the offering completed and the correction came on the first trading day, about 28% below the offer price
Datadog. S-1 public Aug 23, 2019; priced Sep 18 at US$27, above a raised US$24–26 range	2018 revenue of about US$198m, up 97% year on year, against a net loss of about US$11m	10 votes per Class B share	Voting wedge present in isolation; first-day close about 39% above the offer price

Source: Compiled from the issuers' registration statements filed with the SEC and from contemporaneous reporting by Reuters, Bloomberg, and the Wall Street Journal. First-day returns are measured against the offer price.

Two qualifications belong with this reading. The mechanism is an interpretation of a dated record: it is compatible with the evidence rather than demonstrated by it. A case study can establish that events occurred in a given order and that participants gave particular reasons, and it cannot establish that a different order would have produced a different outcome. The counterfactuals stated above, that an independent pricing exercise in 2017 or the removal of the super-votes before filing might have changed the result, are conjectures whose function is to identify decision points for other issuers, not findings about this one.

6. Lessons for Small and Medium-Sized Technology Firms Preparing an IPO

Scale separates WeWork from the typical smaller technology issuer. The four links in the chain of failure exist in offerings of every size: valuation anchoring, governance terms, cash dependence, and timing choice. Smaller issuers simply have less room for

error. No SoftBank stands behind them, no US$9.5 billion rescue waits, and what follows withdrawal is usually liquidation rather than restructuring. The four lessons below follow the sequence of IPO preparation, and each one ends in an action that can be completed in advance.

The transfer from a US$47 billion unicorn to a first-time issuer of ordinary size is not automatic, and both the mechanism and its scope conditions have to be stated before a lesson travels. Three features of this case do not transfer. A single investor with the balance sheet to mark its own position upward across four rounds is a phenomenon of the late-stage private market, and few smaller issuers have one. A voting ratio of 20 to 1 with no sunset sits at the edge of the distribution reported by Aggarwal, Eldar, Hochberg, and Litov (2022) and is rarely available to a founder without a scarce asset to auction. A US$6 billion credit facility conditioned on completion of the offering is a large-deal instrument. Three other features transfer with force, and in two of them the smaller issuer is the more exposed party. Preferred-stock overhang is a property of the contract rather than of the company, so the valuation gap measured by Gornall and Strebulaev (2020) applies to any firm financed on those terms. Related-party arrangements are more common, not less, in founder-controlled firms of modest size, where the founder is often also the landlord or the lender. Dependence on the proceeds rises as the balance sheet shrinks, so the withdrawal option of Busaba, Benveniste, and Guo (2001) is worth least to the issuer that needs it most. Table 6 sets out the mapping, and the lessons below are stated with their scope conditions attached.

Table 6. Transferability of the Lessons to Smaller Technology Issuers.

Lesson	Mechanism Through Which It Works	Transfer to Smaller Issuers	Scope Condition
Anchor valuation to verifiable unit economics rather than to the last post-money price (6.1)	Preferred terms make the private price an upper bound on the value of common stock	Full	Holds for any firm financed with preferred stock; the size of the gap does not depend on issuer scale
Treat serial mark-ups by one investor as a missing price test (6.1)	Without a competitive bid no independent verification occurs before the filing	Partial	Requires a dominant investor with the balance sheet to mark its own position; uncommon outside the late-stage private market
Complete governance reform before the filing date (6.2)	The same reform reads as free choice before filing and as forced concession afterward	Full	Independent of the voting ratio; the 20-to-1 setting itself is specific to founders with a scarce asset to auction
Hold runway measured on the withdrawal scenario and decouple credit from completion (6.3)	The withdrawal option is worth only as much as the issuer's independence from the proceeds	Full, and with added force	Smaller issuers hold less runway and have no rescue investor; the US$6bn facility itself was a large-deal instrument, but the cross-trigger logic recurs in venture debt
Prefer reducing size or waiting to rerouting toward weaker review (6.4)	Route choice is a choice about how much verification the price receives	Full	SPAC and direct-listing costs fall hardest on issuers that need cash; the 9% return rate of Dunbar and Foerster (2008) is an unconditional base rate
Control the design and continuity of non-GAAP metrics from the first public document (7.2)	Metric engineering is read as evidence about the reliability of the whole file	Full	Applies from the first bond or private placement document onward, not only at the S-1

6.1. Anchor Valuation to Verifiable Unit Economics

The first lesson from WeWork has nothing to do with scale. A private valuation is not a preview of the public price; it is a set of contract prices loaded with preferential terms. The 48% average overstatement in Gornall and Strebulaev (2020) applies to any firm financed with preferred stock. The contracts of smaller firms carry the same liquidation preferences and ratchets, and planning the offer price from the last post-money number records the value of contract terms as if it were the value of common stock. Three practices follow. Engage an independent party during preparation to revalue the firm on public-market comparables and put the gap between that number and the financing price on the boardroom table. Leave room in the price range for the discount documented by Rock (1986) and by Loughran and Ritter (2004), and treat the first-day return as a cost of placing the issue rather than as value

surrendered. Where a single investor led the pricing of the last round, disclose the term structure of that round to underwriters and prospective investors before the market asks.

Valuation discipline extends to the clean-up of financing terms. When a pre-IPO contract promises investors extra shares if the offer price falls below a set level, the room to price downward is mortgaged on the day of signature. Among the 135 unicorns in Gornall and Strebulaev (2020), about 15% had promised later investors a guaranteed IPO return and about a quarter had granted a veto over a low-priced listing. The valuation premium bought with such terms is repaid at face value in the offering. Anchoring also operates on the judgment of the decision-makers themselves. Founders treat the last post-money number as a floor under their own worth, and when the underwriter's fair range comes in below that floor, negotiations stall on emotion rather than on numbers. Placing the revaluation before the board well ahead of the filing allows time for the gap to be absorbed. WeWork absorbed the same gap in 47 days and under pressure, and the resulting decisions were taken in public view.

6.2. Complete Governance Reform Before Filing

The two amendments of September 2019 make the timing rule concrete: each was read as an admission that the earlier arrangement had been improper. The market value of a governance concession exists only before the filing; afterward it retains only damage-control value (Cheng & Maiden, 2021). Smaller firms depend more heavily on outside capital, and the governance discount cuts them more directly. Four tasks belong before the filing date. Where a dual-class structure is genuinely needed, write in a time-based or ownership-based sunset of the kind Bebchuk and Kastiel (2017) propose, and keep the voting ratio near the median of the sample in Aggarwal, Eldar, Hochberg, and Litov (2022). Clean up or terminate related-party transactions before the reference date, and re-sign the unavoidable ones at fair value with an independent appraisal attached. Seat the independent directors and build out the board committees before filing, and let the prestige signal of Certo (2003) lower the evaluation costs of unfamiliar investors. Put the succession plan in writing and in institutions, tied to no family. None of these four tasks depends on the size of the issuer, which is why the lesson is marked as transferring in full in Table 6.

The time cost of reform runs higher than commonly planned. Clearing related-party deals involves tax and appraisal work, board reconstruction involves nomination and negotiation, and amending share-class terms requires the consent of existing holders. These procedures run in quarters. Compressed into the filing window, they can only be rushed through in public view, as at WeWork. Moving governance due diligence well ahead of the launch is therefore the least costly option. An interval of roughly 12 to 18 months is suggested here as an illustrative benchmark rather than a threshold that this case or any prior study establishes; what the case supports is the weaker claim that the procedures listed above run in quarters rather than in weeks, so the review has to begin well before the filing is drafted. The signaling asymmetry recorded by Spence (1973) is what makes the date, rather than the content, the operative variable.

6.3. Plan Cash From the Failure Scenario Backward

WeWork's financing bet survival on the success of the offering, since the US$6 billion syndicated facility was conditioned on completing the IPO and the company was living on rescue money within weeks of the withdrawal (Brown & Farrell, 2021). The value of the withdrawal option demonstrated by Busaba, Benveniste, and Guo (2001) rests on independence from the proceeds. An issuer running out of cash has no standing to say no, and it takes whatever price is offered or exits. The rules for smaller issuers follow directly. Decouple refinancing from the outcome of the offering, and accept no cross-trigger that conditions credit on a completed listing. Hold a cash runway measured on the withdrawal scenario rather than on the base case, and hold it throughout preparation. A figure of about 18 months is used here as an illustrative benchmark rather than as a threshold established by this case or by prior research; the proposition the case supports is that the runway has to outlast the time an issuer would need to reach a second window or an alternative source of capital, and that it should be tested against the failure scenario rather than the base case. Score the firm against the failure-risk variables of Demers and Joos (2007): operating performance, financial leverage, and underwriter tier. When any of them lands in the danger zone, delay the filing rather than accelerate it. The scale difference works against the smaller issuer here rather than for it. WeWork had a rescue buyer within three weeks; a first-time issuer of ordinary size usually has none, so the runway requirement binds more tightly the smaller the balance sheet.

Cash planning has a second face in the credibility of the use of proceeds. A loss-making firm that writes continued expansion as its use of proceeds is asking the public market to keep funding the growth narrative that private investors had been paying for. Demers and Joos (2007) define failure as delisting for negative reasons within five years of the IPO, and that horizon is a reminder that public patience with cash burn runs in years, not decades.

6.4. Alternative Routes and the Real Odds of a Second Attempt

Withdrawal is not a pause but a reset. The number in Dunbar and Foerster (2008) belongs in the preparation file: about 9% of withdrawn issuers complete a second listing, and the second pricing gives up further ground. WeWork's later path supplies the other

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half of the answer. It listed through a SPAC in 2021, bypassed the pricing test of a traditional roadshow, and filed for bankruptcy two years later; the sequence is suggestive rather than conclusive, for the reasons given in Section 3.5. Before changing routes, look at how each route prices. A direct listing saves the raise but presumes the firm needs no cash. A SPAC replaces bookbuilding with a bilateral negotiation with the sponsor, and the omission of review is paid for in structural costs and aftermarket returns, with the median cost at 62% of cash delivered (Klausner et al., 2022). Smaller issuers depend on cash most and fit these routes worst. When the window closes, the order of preference runs from reducing the size, to delaying the filing, to selling the company; rerouting toward weaker review comes last. Brau and Fawcett (2006) find that experienced CFOs treat the offering as an option rather than a destination, and the model of Chemmanur and Fulghieri (1999) supports waiting until information-production costs fall. Writing survival without listing into the financial plan is the only way the withdrawal option stays credible. The terms of the rescue that followed the withdrawal indicate what an issuer holding no alternative may be required to concede: a valuation cut to US$8 billion, the founder's exit, and the dismissal of nearly a fifth of the staff.

7. Implications for the IPO Compliance Function

The principal implication of the case for compliance work is that every item later identified as fatal had passed legal and compliance review, that formal compliance was complete, and that the offering failed nonetheless. The boundary of the compliance function has to move from whether disclosure is lawful to whether the disclosed content can stand up to the market and the regulator at once. Table 7 converts the case into an executable checklist, and the procedures below state, for each area, the trigger, the owner, and the output that leaves a record.

Table 7. IPO Compliance Checkpoints Mapped Against WeWork.

Compliance Area	Checkpoints	Corresponding Facts at WeWork
Related-party transactions	Complete register, fair pricing, market-perception assessment	Property, trademark, and credit arrangements were all lawfully disclosed and all drew market backlash
Non-GAAP metrics	GAAP reconciliation, definition continuity, neutral naming	An invented metric turned losses positive and drew SEC comment letters
Governance terms	Voting ratio, sunset provisions, and succession benchmarked against institutional investor policies	20-to-1 votes with no sunset; succession placed with family members
Disclosure documents	Narrative-data consistency, issuer-specific risk factors	Mission language replaced the path to profit and cost the file its credibility
External gatekeepers	Independent check on underwriter valuation ranges, documented opinions	Pitched valuations ran several times the final market price

7.1. Related-Party Transactions: From Disclosure Compliance to Clean-Up Compliance

Every related-party arrangement at WeWork met its disclosure obligation, and every one of them cost the offering support. Above the red line of legality runs a second line of market acceptance. The compliance function should maintain a register of related arrangements covering executives and their relatives and spanning real property, intellectual property, loans and guarantees, and family employment. Each arrangement receives a two-level assessment covering the legal adequacy of disclosure and the market perception with its defensibility. The conclusions sort into three treatments: terminate before filing, re-sign at fair value with an independent appraisal, or retain with a prepared question-and-answer file. The framework of Jensen and Meckling (1976) rewrites directly into review questions: what does the arrangement give the controller, what does it take from outside shareholders, and how does the prospectus explain the former to the latter?

The granularity of the register decides the power of the review. WeWork's property leases sat scattered across four buildings, multiple contracts, and different signing entities, and no single one looked large. Consolidated, they carried weight. Once the S-1 aggregated them, the US$237 million of future related-party rent became a prominent item in press coverage of the filing. A register should consolidate by controller rather than by contract, because the object of review is the total and the direction of the arrangements, not the legality of each item. The clean-up window belongs in the procedure as well. Arrangements added after the reference date draw comment letters and press attention regardless of size. WeWork completed the trademark purchase one month before filing and reversed it three weeks after, and each date amplified a separate round of negative attention.

7.2. Non-GAAP Metrics: Naming, Reconciliation, and Veto Power

The lesson of community-adjusted EBITDA has three layers: the closer the excluded costs sit to the core of operations, the more misleading the metric; the more decoration in the name, the more regulatory attention it draws; and definitions that shift between bond documents and the prospectus will be read side by side. For every non-GAAP metric management proposes, compliance should run four steps. Reconcile it to the nearest GAAP metric line by line and disclose the reconciliation. Hold the definition constant across all public documents and disclose the reason for any change. Keep value judgments out of the name. Give the compliance officer a veto over misleading metrics, with the veto recorded and delivered to the audit committee. The SEC letter on the term contribution margin shows that regulatory review descends to the level of individual words, and the granularity of compliance review must descend with it. Definition-consistency review must cover every public document issued before the offering. WeWork's metric failed under parallel reading. Investors set the community-adjusted EBITDA of the 2018 bond papers beside the contribution margin of the 2019 prospectus, and the shift itself became news. Compliance should keep a metric history file recording adoption, adjustment, and abandonment, and it should anticipate the parallel reading.

7.3. Governance Terms: Benchmarking Against Institutional Investor Policies

Review of governance terms cannot stop at the minimum set by corporate law and listing rules; the benchmark is the voting policies and governance codes of mainstream institutional investors. The review covers the voting ratio and its percentile among comparable listed firms, the presence and trigger design of sunset provisions of the kind Bebchuk and Kastiel (2017) propose, whether succession is institutionalized and closed to family channels, board independence together with committee build-out and membership mix, and the level of investor protection in the sense of La Porta et al. (2000), since the governance discount steepens as institutions weigh more in the target market. Before filing, compliance should deliver a benchmark report on governance terms and leave the decision trail with the board.

The output of benchmarking is a deviation list: every term that departs from market practice, the business reason for keeping it, the expected comment letters and press response, and the cost of giving it up. A board choosing on a complete list and a board choosing on the underwriters' optimistic pitch produce decisions of different quality. WeWork's board faced its list item by item only after filing, when the power to choose had already changed hands. The review runs at two set points, before financing agreements are signed and before the filing is finalized. The first point controls the increments, since each round's governance concessions accumulate into the stock of problems at listing. The second point controls the stock and weighs every historical term against public-market standards.

7.4. Disclosure Documents: Red-Team Review and Narrative-Data Consistency

Galloway dismantled WeWork's valuation and governance with public documents alone, and the issuer could have run the same exercise before filing. Compliance should organize a red-team review of the disclosure file. Staff who did not draft it read it in the roles of a short seller, a financial journalist, and a regulatory examiner, and they deliver a list of attack points. The file then passes a narrative-data consistency check in which every narrative claim about market size, technology content, or growth logic is anchored to verifiable data, and unanchored claims are deleted. Risk factors are tested item by item for specificity, generic industry boilerplate is removed, and risks particular to the issuer are added. WeWork's maturity mismatch was disclosed among the risk factors and was obscured by dozens of pages of standard language. The closing question comes from Spence (1973): is each self-description in this document a costly signal or costless rhetoric? The key to red-team review is authority. Its findings must be able to change the document rather than rest in the archive. A workable design lists the red-team report as a standing agenda item of the disclosure committee and accepts only three dispositions for each attack point: amendment, added disclosure, or a reasoned refusal to change. The dispositions are filed with the working papers, where they become the basis for answering regulators.

7.5. The Compliance Function as Gatekeeper and Its Independence

Coffee (2002) diagnosed the failure of external gatekeepers, and the diagnosis replayed at the front end of the WeWork offering. Underwriters bid the valuation up, lawyers drafted to instruction, and no external party said no. When external gatekeepers fail together, internal compliance is the one gate left, and its force is a matter of organizational design. The compliance officer's opinion on major IPO matters reaches the audit committee or the independent directors without passing through the business chain. Timetable pressure does not compress the review cycle, and conflicts between the two go to the board rather than to the project team. Objections are recorded in full, including the overruled ones. Correspondence with the SEC and other regulators runs under compliance control, and the growth narrative does not overwrite regulatory concerns. An internal whistleblowing channel for disclosure issues stays open. Several WeWork employees doubted the metrics and the related-party arrangements during preparation, and the organization provided no channel through which those doubts could reach the board (Wiedeman, 2020). The value of a gatekeeper lies in the power to say no in advance, and only governance structure can grant that power; personal courage cannot sustain it. Beyond position sits capability. Reading a valuation deck, dissecting a non-GAAP metric, and judging the market response to a

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governance term demand knowledge of investment banking and investor relations, and a compliance team trained only in law has no standing in a conversation with underwriters about valuation. Issuers should add financial-analysis capacity to the compliance team at the start of preparation or keep a standing channel to independent outside advisers. The minimum standard of the gatekeeper role fits in one sentence: when the underwriters, the lawyers, and management all say yes, compliance must be able to answer how the market will read it.

8. Conclusion, Limitations, and Future Research

WeWork's IPO failure was not a single-point accident but the resonance of four threads. The valuation manufactured through SoftBank's serial mark-ups found no support in the public market. Super-voting shares at 20 votes each, buildings leased back from the founder, the trademark transaction, and the family succession plan pushed agency costs to the front of the pricing. Invented metrics and mission language drained the credibility of disclosure. The window that narrowed after the Uber and Lyft debuts removed the room for error. What holds the four together is the coupling set out in Section 5.6: each defect supplied the conditions under which the next became affordable, which is why removing two of them inside the filing window recovered nothing. The four threads also share one underlying condition. Practices that a decade of abundant private capital had left unchallenged were examined, within a single filing window, by the verification procedures that a public offering imposes. The company's later course, a SPAC listing in 2021 that bypassed the traditional review and a bankruptcy filing in 2023, is consistent with that reading but does not establish it. Four years and a structural contraction in office demand separate the 2019 withdrawal from the 2023 bankruptcy, and a retrospective single case cannot attribute the second to the judgment formed at the first. What the record does support is narrower and still useful: the objections raised in September 2019 were derivable from the filed document, they were raised at the time, and the issuer's own amendments conceded most of them.

For small and medium-sized technology firms, the lessons condense into four disciplines, each carrying the scope conditions set out in Table 6. Anchor valuation to verifiable unit economics rather than to financing price tags. Complete governance reform before filing, since concessions afterward hold only damage-control value. Plan cash backward from the failure scenario, because the withdrawal option stays credible only without dependence on proceeds. When the window closes, shrink or wait in preference to rerouting toward weaker review. The first, third, and fourth transfer without qualification. The second transfers in substance while the extreme voting ratio that occasioned it does not.

The case also marks the boundary of the compliance mandate. No illegal act was ever established in WeWork's collapse. The SEC's preliminary inquiry ended without action, and every related-party deal had met its disclosure duty. The failure took place entirely in the gray zone between the lawful and the acceptable, and that zone is where the compliance function does its distinctive work. Judgment above the legal floor follows no statute, only the tracking of market standards and a channel for telling the board the truth. A compliance function that takes this zone into its mandate deserves the name of gatekeeper; a function confined to verifying compliance with rules contributes little when a failure of this kind occurs.

For the IPO compliance function, the case demands an upgrade in role: from checking the legality of disclosure to judging its market acceptability, with related-party clean-up, non-GAAP metric control, governance benchmarking, and red-team review installed as standard procedure, and with a reporting line to the audit committee that secures the power to say no. The implications reach beyond the U.S. market. Registration-based review elsewhere also centers on disclosure. Exchanges in several jurisdictions cap the voting ratio of weighted voting rights, condition their survival, and restrict holder eligibility, and comment letters press harder each year on non-standard metrics and related-party transactions. WeWork's registration was withdrawn before the staff review had run its course, and the market's assessment was recorded before the regulator's. For markets that examine issuers mainly through written inquiry, the message is the same: every question on the comment list will be asked again by the market, in prices. Moving the public market's standard of examination to the time before the filing is the plainest rule this case leaves for any company preparing to list.

8.1. Limitations

Four limitations bound the claims made here. The design selects on a known outcome, and although the comparison cases of Section 3.4 supply part of the missing arm, the study cannot report how often the configuration it describes appears among offerings that were completed. The mechanism of Section 5.6 is an interpretation consistent with a dated record rather than an estimated relationship, and the ordering of the four cases in Table 5 is a pattern in four observations. The second-tier sources carry the recall and selection problems of retrospective interviewing, and the rules of Section 3.2 limit that exposure without removing it. Finally, the analysis sits inside a single regulatory regime, and the disclosure-based review of the United States market shapes both the failure and the remedies proposed for it.

8.2. A Research Agenda

Four tests would carry the argument from a case to a finding. The first is a large-sample test of the interaction itself. A hand-collected panel of technology issuers that filed between 2010 and 2024 would allow a withdrawal indicator to be regressed on measures of the four mechanisms: the gap between the last private post-money price and a peer-multiple value at filing, the wedge between insider voting rights and cash-flow rights, the intensity and novelty of non-GAAP measures in the filing, and a window indicator built from the recent first-day returns of comparable issuers. The additive account predicts that the main effects carry the explanation; the account offered here predicts that the interaction terms add explanatory power beyond them. The second test is textual. The ratio of narrative to data in a registration statement can be measured, and the relationship between mission language, technology-word density, and subsequent pricing outcomes is testable on the full population of filings. The third is procedural. SEC comment letters and issuer responses are public, and coding them by topic would show whether the items that trouble the staff are the items that later trouble the market, which is the premise on which Section 7 rests. The fourth is comparative across regimes. Several exchanges outside the United States cap the voting ratio of weighted voting rights, condition their survival, and restrict holder eligibility, and comparing how governance defects are priced across those regimes would separate the part of the discount that is a market judgment from the part that is a rule. Interview or survey work with compliance officers would in addition establish whether the checkpoints of Table 7 correspond to procedures that firms actually operate.

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