

The Economic Club of New York

Adam Neumann
Co-Founder and CEO
WeWork

June 14, 2017

New York City

Interviewer: Thomas W. Farley
President and Chief Executive Officer
New York Stock Exchange

Introduction

Chairman Terry J. Lundgren

It's a pleasure to introduce our next speaker. The last time we were here in this beautiful room at the New York Stock Exchange, we had Brian Chesky, who is the co-founder and CEO of Airbnb, and we had a great dynamic conversation. I think today is going to be very similar, having now spent a few moments with Adam Neumann. Adam is the co-founder and CEO of WeWork which provides work space, community, and services to more than its 100,000 members in more than 40 cities around the world.

Along with co-founder, Miguel McKelvey, Adam started WeWork in 2010 just up the street in the Soho neighborhood, creating a work space environment that was intended to create a community believing that people could accomplish more together than perhaps they would on their own, and I think that's proven to be a highly successful formula for him. Adam has a vision now to expand across the globe with his network of spaces and connect its members through technology and empower them to achieve their dreams and their goals. Previously, Adam was co-founder of Big Tent which developed children's apparel. But he did something, we were just talking about this at the table, that I don't know that anybody in this room has ever accomplished. I mean there are several members I know, of our Economic Club, who graduated from their university and then did the commencement speech, but I never met anyone before who has done it in the same day. And that's Adam, because Adam went actually back to school

because he was interrupted by all of these entrepreneurial ideas that he had, left school, came back to finish his degree, because as he said, he likes to finish what he begins. Went back to Baruch College, finished his degree, and upon graduation, several years, many, many years after he started perhaps, he was asked to give the commencement speech which he did on the same day that he graduated. I congratulate Adam for doing that, for going back, for getting his bachelor's degree while also, by the way, along with his wife, Rebekah, raising four children in the New York area and creating a company that's now valued by investors at about \$17 billion. So we look forward to your remarks today, Adam.

And today's format is a conversation, and that conversation will take place between Tom Farley, who is our member here of course, and the President and CEO of the New York Stock Exchange. And Tom is armed with his own questions, he already started at the table as a matter of fact, and he's also received questions from our members so that your questions, that you submitted, will be asked as well. So gentlemen, the stage is now yours. Enjoy the conversation as I'm sure we will. (Applause)

TOM FARLEY: Thanks so much, Terry. Thanks for your leadership at the Economic Club.

Good afternoon, all of you. When we sat down at the beginning of this year with Barbara at the Economic Club to decide the agenda for 2017, the first name we put on the list and circled was Adam Neumann of WeWork and you're about to see why that's the case, but part of the reason is his life story. You know one of our favorite parts about working here actually with all my

colleagues is that you see that some of misperceptions about free enterprise are just that, they're misperceptions. And some of the most inspirational stories, they come from people not who were born on third base or with a silver spoon in their mouth, but amazing people making a difference with really interesting backgrounds. I think the biggest IPO we had in 2014 was a guy who was poor in rural China outside of Hangzhou who now runs a \$350 billion company and has allowed three million people to rise up out of poverty – Jack Ma. Our largest IPO of 2015 was a guy born in Brooklyn in 1959. None of his brothers and sisters went to college. None of his aunts and uncles nor his parents went to college. And now he's running a very successful, KKR, a \$17 billion company. He's sitting in this room, Frankie Bisignano. And you heard about Brian Chesky. It's the guy who was born to social workers in Schenectady, New York. I can barely even pronounce it. And today it brings us to Adam.

Before I turn to Adam, the man of the hour, let me do a little bit more – in warp speed – about his upbringing. Terry certainly started us. Adam was born in Israel. His mother was actually born in Poland. Pardon me, his grandmother was born in Poland, and as an infant moved to Israel. Her aunts and uncles did not move from Poland and tragically – and a very important side note – all died in the Holocaust. And so that's from where Adam was formed. He grew up in Israel, moved here in the fourth grade. In the fourth grade, had a difficult transition to America. Went back to Israel. He lived in 13 different homes. Spent most of his time in a kibbutz in Israel. Moved back to the United States when he was 18 where he went to Baruch. Again, one other side note, if any of you are New Yorkers and you're looking for a cause to support, Baruch is a great one. The

median income of the parents there...(Applause)...That's our Baruch friends. The median income, \$43,000. Adam started two businesses here. One was a women's shoe company with a collapsible heel. It shockingly did not work. (Laughter) The second called Krawlers, with a K, was onesies for babies with knee pads. What was the slogan?

ADAM NEUMANN: Just because they don't tell you doesn't mean they don't hurt. (Laughter)

TOM FARLEY: Also did not work, shockingly. And then he started this little company called WeWork. So Adam, that's really the lead-up. It would have been great to hear you tell that, but we have limited time and I really wanted to hear more about how that formed you as a leader and then move into your business, ease into the business. Help us understand, as a leader of men and women, and as a member of the community, and as a leader of WeWork, how has all of that, that really amazing story – an odyssey if you will – formed you? What is your world view on how to lead?

ADAM NEUMANN: So, first of all, thank you for having me. I thank everyone for coming. I know everyone is very busy. It's lunchtime in the middle of the week, not an easy time. So thank you very much. I'll just make a few corrections. I actually came back to New York when I was almost 23 after serving in the Israeli military for five years, so not 18, so I joined Baruch a little older, which is important to note because when you're 23 you see the world a little different from 18. I had the opportunity to observe the 18-year olds, and I think it's a lot of what led me to some

of the things I did today. Also serving in the Israeli army taught me what it means to be part of something greater than yourself. It taught me that great leaders need to know how to be followers. Great bosses need to be soldiers first. And if you can be a great soldier, then you can also be a great officer. But if all your life you're always, you're just the boss, you're just leading, you're missing something. And one more correction, you said about the people starting at third base and not everybody does, I definitely come from a very simple background, but I have observed that sometimes children that actually come from very affluent homes have an almost even more difficult time because the expectations are there because the parents did these great things. Because sometimes in life when we get handed a lot of things, there's this concept called bread of shame. If you don't earn what you receive, it creates a short circuit. So I actually think, and I think of my kids a little bit, and I'm so blessed to have them, I'm not sure how they're going to be able to derive the same kind of excitement that I right now have as every day is a new day, every day is a fight, every day is a win, some days are losses. And it's just a fascinating thing to say, so I actually appreciate that challenge also. The way it's affected me is we talk a lot in WeWork about culture. And you spoke about the fact before that I was graduating and I gave a speech, and in that speech I spoke very simple, very simply about the blueprint for a meaningful life. And in that blueprint, I said first, first work on yourself. If you're not growing personally, you're not going to be a good person to work with, work for, be a partner, be a friend. Then I said it's your spouse, who you're going to marry, or who is going to be your partner. Because whoever you choose to be your partner is going to affect your entire life. You need to choose someone that calls you on your bullshit, that loves you for the potential of who you're

going to be, not who you are today, that's obviously not only there when you're up but there when you're down and someone who expects you to be the same. I afterwards spoke about kids and said that they all have superpowers. And kids are, if you know how to unleash your kids' superpowers, well, then one day they will unleash yours. And the next I spoke about friends, and I said you don't have one great friend in this world, you're missing. If you have a great friend, just like a good partner, that calls you on your bullshit and is there when you're down, not just when you're up, then go get another one. Only after you take these four things, I believe business comes. Because if you don't have this solid foundation, then a day will come in business, where it will all seem lost, and there will be no one to go to, or you'll just not build a meaningful business. From that point, and this is what my life taught me, moving 13 places. I come from a difficult home. My parents got divorced when I was very young. There's a lot of things that occurred when I was in my early stage. And I know, I understand how hard it is to be the new kid and how hard it is to have the difficulties. I'm also very dyslexic. I couldn't read and write until the third grade. So I have a lot of appreciation to challenges. And I've found that people with challenges sometimes make the best employees, the best leaders, because they've learned how to overcome those challenges. And every one of my life experiences, when I came to New York I was angry about my history, and why did this happen to me? And why this and why that? And I came to New York saying I deserve, I deserve, I deserve. Nothing worked that way. When I met my wife, she shifted my thinking, and she was like, you don't deserve anything that you don't earn. And as she taught me that and I started earning and I saw the fulfilling experience it is to actually work hard and actually earn, and then you add to that doing something meaningful

for the world while you're doing it so you're not wasting your time, that brought me to where I am today. I stopped being angry about my past. I became happy. That past made me who I am today. And from that point on, I was able to build this company with the help of our employees and our executives and my co-founders and my wife that represents basically everything I just told you. That's a mouthful of an answer.

TOM FARLEY: No, it was great, it was great. The very first time I met you, you talked about your wife. In your Baruch speech, you talk a good deal about your wife. In fact, nearly half of the talk is devoted to her. And you've always talked about friends and the importance of community. On the other hand, you're a hard-driving CEO. I was watching a video of yours where the typical Monday was described as arriving at 7:00 a.m. and going home at 3:00 am. We've seen this week with other hard-driving CEOs and companies with a lot of hours that the culture can crumble. So help me reconcile family, friends, but also hard-driving, demanding a lot of your employees.

ADAM NEUMANN: So, first of all, you'll be happy to know that this Monday I finished at 2:00 am., not at 3:00. (Laughter) I think it goes back to exactly what I just said. If you have a solid foundation, if you have your priorities set right and you're ready to also work hard and also drive a strong culture and also grow, and when a strong culture is in place, then you can deal with a lot. And I was sitting next to my new friend and we talked about retail going up and down. And he said I saw it in 2001 and I saw it in 2008 and every time everybody told me we're done, and

we're still here stronger than ever before. And we'll do it again, and I believe you will, and we'll all do it together, so I'm looking forward to it. But when you have a strong culture and a strong base, you can deal with anything and this is what's important about it. These companies we hear about did not break because they're hardworking. And they're not broken, by the way, everyone's now talking about Booker. I know three people, I only talked to four people today, three of them took Uber just to get here. So I don't think it's going to break that quickly. But what I do think is if you build an amazing culture, one that people can give you feedback, one that works hard but also has a great time, then you will deal with the tough times when they come. And that's what's really important. And if you do it right, by the way working hard is fulfilling. Everyone here, I know there are a lot of, you would not be here. There's no one sitting here right now who is not a hard worker. You couldn't get there. Maybe Bill, because...no, no, Bill is my close friend and an extremely hard worker actually. He couldn't let me go now, I had to close the deal. But if you do that, then you'll get to the right place. And I think that's the culture we're all looking for in our companies. And let's not look at working hard as a negative. Let's look at it as an uplifting opportunity for us to be better.

TOM FARLEY: Just one more question on culture and then we'll move into some more of the brass tacks business questions. Obviously you had a strong mother in your life and your wife, who I've heard so much about and it's clear you love very much and she's been instrumental. I love how you describe her kind of calling BS on you in your early days when your pursuit was just about money....

ADAM NEUMANN: Still does on a daily basis. Sometimes too much. I have a team, I have a few people that help me. We all help manage me to get home and have the limited amount of BS called on whatever my actions were that day.

TOM FARLEY: So you're at the intersection of two worlds – real estate and tech – that are very male dominated I'll say. Talk to us about the role of women in your company and in particular the women of, the role of women in leadership at your company and how you think about that.

ADAM NEUMANN: So I'm going to use a specific one. Her name is Jen Berrent. She was actually my lawyer when I raised money from Benchmark. She made a tremendous term sheet, which is one of the reasons we are at the position we are today as our controlling vote in the company was established when we raised money. I didn't understand. The day she met me, she said I'm building this as a, back then when you said a billion dollar company it sounded like a big number. And still is a big number, in case anyone's wondering, it still is a big number. And over time, after two years of working together, she called me one day, she said I should be your General Counsel because not only can I bring a lot to the table, but also you're missing women on your team and it's going to bring a different attitude. And I was very open to it. She joined us as General Counsel. The biggest mistake I did, it took me two years to understand that she's a lot more than a general counsel. She's one of the best leaders in our company. Today she's our Chief Culture Officer which means her job is to think of culture all day long. Now HR reports

into her, Legal reports into her, Internal Services of the company reports into her. But she has this amazing way of bringing culture into center stage, and we've been talking about culture for the past three years, and for us, as we hear everybody talking about it now, we're like, are you serious? Is there anything else you were working on? And she says a lot about women leaders that if, when I wanted to hire a general counsel, there were ten candidates in New York City that could fit a high-growth company like us. One was a woman, nine were men, just because they were the ones with the proper history in their careers that could lead you to that. If I didn't choose her, I would have chosen a man, not because I wanted to, but because there wasn't any other choice. So, in WeWork we like to say that right now we're bringing in the most talented women in the world at an early stage and we're going to grow them all as leaders. And as they grow, not only are we going to have a lot more women leaders internally, but all of your companies are going to come to companies like us and say we want more of that, but not because we were told that we need a woman board member – that's not the right way – because they're the most professional, because they fit the job, because they're going to do better which, by the way, from our internal experience, we usually do better with women executives – I don't mean to offend anyone else – and women employees. It has to do something with ego, but we can talk about it at another time. And that's how we bring up, WeWork has 49.7% employees that are women and by the end of this year we'll have over 50% women just because we think it's better for the company, not for any branding reasons.

TOM FARLEY: We're here at the New York Stock Exchange with a lot of proud New Yorkers.

It feels like, with respect to high growth companies, tech companies, it's been waiting for Godot a little bit. When is New York going to have its moment? Maybe this is really and truly the start. We had the Yext IPO earlier this year. If all goes well and holds true to form, we expect the Blue Apron IPO over the next few weeks. We have you here today. There's other great private New York companies, AppNexus, MongoDB. Was it helpful being in New York building this business? Was this a nourishing environment for you in building this company?

ADAM NEUMANN: What I'm about to say is a fact. WeWork could not have been built in any other city on this earth. And now that we are in almost 50 cities already around the globe and will be in 100 in a few years, I know this, we've taken the time to learn about every single city, for multiple reasons. First of all, I know it's an old saying, but it is true, if you make it here, you really can make it anywhere. This city is tough. This city is real. The numbers are real, everything. So people a lot of time talk about valuation. Forget valuation. When we take a building, there's a base rent, and then there's an income, and then there's math. And if that math doesn't work, then you're out. In case you're wondering, the toughest, sharpest – I don't want to call them sharks because they're my closest friends, but the toughest people on this earth are some of these real estate leaders. And right here in New York City is where you train the best of the best. So we got trained here. And then when we went to do our first deal outside of New York and the landlord was so nice to us and we got anything we wanted...(Laughter)...I was like, wow, where have we been? But then we got to learn an important lesson and this is a lesson in partnership and it's a lesson that I learned from my friend Bill Rudin. And it's in a partnership

it's not about always winning and coming up on top, it's about both sides having a common ground where both sides can win. And we made a few deals where we won too much and those are the worst deals we've ever made. And today we want to come into a deal and both sides win. That's on the one hand. On the other hand, technology. Yes, it's hard to find tech talent here today, but if you have a great company, there is tech talent in New York and you'll attract it because there's not that many choices, so it's good with that. And separate from that, Mayor Bloomberg, at the time was the mayor, he recognized us early. He opened the gates for us and it was just, I really don't think it could have been done anywhere. I know it's a fact that New York is going to, there are going to be a lot of high growth companies in New York. Let's not measure the success, even though I know where we are today, just by their public valuation. Let's also talk about what companies are going to make the biggest, most meaningful change in the world and they're getting incubated, grown, and built right here in New York. And over time we promise not to disappoint also.

TOM FARLEY: Fabulous. Let me give a little bit of background to the group here. Those of you who have been living under a rock, that aren't familiar with the WeWork business, it's really remarkable and I want to hit some of the basics. And pardon me if Adam has to correct me on a few because it's a private company. But they have 180 WeWork spaces, and so that's the core business that presumably nearly all of us are familiar with. They have two WeLive, so really a nascent business – one here in New York and one in Crystal City.

ADAM NEUMANN: Right outside of D.C.

TOM FARLEY: The business is now 55 to 60% U.S. which I found very interesting. In other words, international makes up the rest, a very meaningful component of the business. The average member pays \$650 a month or \$8,000 a year and that produces, I believe on a unit basis, so on a particular site, about a 40% margin.

ADAM NEUMANN: My head of communications, you see that look? You see that look?

TOM FARLEY: No comment. That's my words.

ADAM NEUMANN: That's a "no comment" look.

TOM FARLEY: My words, not his.

ADAM NEUMANN: It's an extremely strong business model – financially not just spiritually.

TOM FARLEY: Again, my words, not his, round numbers, could get to about a billion dollar run rate revenue in this year, 2017.

ADAM NEUMANN: That, I'm happy to say, we said last year we're going to break a billion

dollar run rate this year and we will keep our word.

TOM FARLEY: Twenty million square feet under management. The last raise was at \$600 million, \$600 million raised at a \$17 billion, more or less, \$17 billion valuation. And the company has raised \$1.8 billion during the company's life. And how many employees?

ADAM NEUMANN: 2,200 employees.

TOM FARLEY: 2,200 employees, I mean truly amazing. In fact, I'll give you a round of applause for what you've built. (Applause) Adam's a friend of mine. Every time we get together, I love it. I sing his praises to everyone. I mean you can see why we were excited to have him. He's incredibly charismatic. But, but I've got to ask some tough questions up here. So, look, I know some very smart real estate people who swear by you and they swear by WeWork, present company included. Rich Gomel joined you from where he was running his own real estate fund at J.P. Morgan. Michael Gross was the CEO of Morgan's hotel group. Artie was in senior positions at multiple companies. Smart people believe in the business. On the other hand, Barry Sternlicht, Sam Zell, a few others, haven't been quite so complimentary. And the criticism typically comes in one of a couple forms, but at the most basic you're in a business where you're going out and you're securing long-term leases where you have a long-term expenditure and you have very short-term revenue obligations, \$650 a month. And the criticism goes something like wait until Adam sees a downturn. How do you respond to that?

ADAM NEUMANN: First of all, thank you for asking me that question. I hope you go a little harder afterwards. (Laughter)

TOM FARLEY: We haven't gotten to the IPO.

ADAM NEUMANN: It's okay, it's okay. I'm excited for that one. First of all, the two names that you just said, I read this. And we talk a lot about, so let's talk about New York. We're all here doing business together. We're companies. We work as a private company. What value do you derive by actually going and telling the world what works and what doesn't work about another company that you have no access to their numbers, you probably don't understand their business model – and this one is great one – and it's probably your tenant. (Laughter) Who decides if we have a friendly relationship, we have drinks together and we're all nice to each other? And this is a good lesson for all us young business people here – we, not me – if you're about to say something and there's no value added to what you're going to say, keep it in, there's no reason. If you want to say something positive, if you want to say something uplifting, do it. If you're an investor and it's your fiduciary duty to put your foot down, or if you're an analyst, then do that. But if you're just going to express an opinion about something you might not know a lot about, especially if that person is buying something from you, don't do it. So the first thing, I think, that's my first answer to those criticisms.

TOM FARLEY: If you don't have something nice to say....

ADAM NEUMANN: If you don't have something nice to say, and if you don't have the knowledge and if that person is buying something from you – that's an important one – if that person is a customer, and let's say that person is going to be the largest tenant on earth, it doesn't make sense. Put that piece aside because the comments were still made, so I would love to react to the comments. A few things that if you wanted to ask yourself. Ask yourself, don't think about the fact that it's a month to month commitment which is not even accurate anymore, but used to be accurate. What is the renewal rate? And it's in the very high 90s, and that's the real question to ask. And what certainty do we have on future cash flows, is number one. Number two, in the past we used to say we're in a thousand different industries and when a downturn comes, it comes in one or the other. Number three, you just spoke about our very high margins. We didn't give an exact number, but we said it's very high which means there's a lot of room to compress. Number four, these comments are old because, so I love this stat, in 2015, zero percent or actually 1% of WeWork business was long-term enterprise commitments, meaning north of 12 months, and I'm talking five years and even ten years. And these are management deals or enterprise deals that are coming into WeWork to grow. And so that's 1% in Q4 of 2015. It was 20% in Q4 of 2016. It's been 30% in the past three months and these are extremely long-term commitments so the whole theory behind that is not true. And what's fascinating about that is the largest organizations on earth are coming today to WeWork, not just to sell space as a service, so if you're a company today, you don't know if you're going to go bigger or smaller, you're

flexible. And meanwhile, office space is this fixed thing, so we're going to give you this flexibility. But they're not just coming to us for that. And they're not just coming to us because we save them 30 to 50 % of their cost. And they're not just coming to us because by 2020 you're going to need to put these leases on your balance sheet, and it's going to look like a lot of debt and it's not going to be manageable and a lot of CFOs don't like that. They're also coming to us for energy, for culture, for employee satisfaction, for retention. If you have the happiest, most fulfilled employees, they will work harder, they will actually be fulfilled, and they will come up with the next great idea that's going to reinvent your company.

TOM FARLEY: One in particular that I want to hear more about is IBM. So in my hood, IBM, as I understand it, has leased up an entire building. And that comes on, if I remember correctly it was about a year and a half ago, the *Journal* ran a whole article about how IBM was redesigning their work space and they had hired designers to help them think through a more collaborative environment. And then the next thing I hear is they're actually coming to you and they're leasing up an entire building. Can you tell us more about that?

ADAM NEUMANN: So I'm getting that look again, that's the look of what I'm allowed and not allowed to say, but here's what I can, this is the, you think as a private company you could do whatever, well, no. I know I can't do whatever I want, I would like to, but I can't, because you have to restrain which is not always easy. But here's what I can tell you. If a large organization, first of all, I will say one thing about IBM because I happen to know their new CMO. Her name

is Michelle, and she's a superstar and she took that job to help reinvent and sort of re-communicate everything that they're doing, and I believe in her immensely. And I do believe in the decisions IBM is making now. And the first thing you need to say is admit I need to change and then from that point you can go there. But put that aside, think of any company like IBM, their business is not hiring these designers and reinventing the workspace. All we breathe, think, and talk about is culture, space, and how we bring people together. So it makes a lot more sense, just like you don't do your own cleaning or your own F&B, your own food and beverage, or your own, these days with AWS, or IT in that matter, you don't need to do your own space. Real estate is a very complex thing, and leave it to the professionals, and let us come in and not only fix it for you and save you money, but actually give you a better culture and a better environment. And that's why it represents 30% of the business. If we let it, it would be 95% of the business within 12 months. We're not going to do that because the small businesses are extremely important, always have been, and always will be, but the demand is bigger than anything we can supply.

TOM FARLEY: Let me go to kind of the second theme that you'll hear, a critical theme, which is, I'm perhaps channeling my inner Warren Buffett, which is the question of what is your moat? And I've heard the narrative, Adam is incredibly charismatic. He has surrounded himself with charismatic people. But it's fundamentally a business model that can be recreated with similarly charismatic and sharp management. What is the moat that you're building from a business perspective particularly with respect to the core WeWork business?

ADAM NEUMANN: So, first of all, anyone here who has a global business knows that if you want to start a business at zero and in seven years be in 50 cities and 15 countries, opened, this past year we opened 10 new languages in one year. That's 10 new languages, 10 new websites, 10 new legal departments, 10 new, we need to deal with, we need new construction, you deal with a lot of rules, and starting with China, which is not an easy place to Tel Aviv which is even harder. And so doing that is extremely complicated. We've spent over a billion dollars ourselves of cash, landlords have spent over \$3 billion, so there's \$4 billion that you have to spend. We've spent a tremendous amount of energy on technology. Our product is amazing. You're able to press a button today and enter space anywhere in the world through a credit system, and you're able to meet any partner, entrepreneur, employee, or customer that you might need. But most importantly, we've built a community. And once you build a community and things come together and you're starting to get the network ___ that we now have, it's very hard to slow that down. And you can have local people doing something very local in one city, but to press that button and become global is very difficult. Last and most important, if you take real estate as an asset class, \$191 trillion asset class, and you give us 1% of it, we would be right now the largest company on earth. And we're not looking to own 80% of anything. We don't need to do that. Not only that, if someone did a great job, we want to be their friends, we want to be their partners. Potentially we could acquire them. We're looking for that great story, we haven't seen that. So I think it's extremely hard to replicate, but if anyone can and will in any way, all we want to do is be a "we", not a "me" and just work together because WeWork's mission is to

create a world where people make a life and not just a living. And if I just told you I can only hit 1% of the world on the best day, then who is going to take care of the other 99%? And we want to change the world, so bring it right on.

TOM FARLEY: I want to pick up on two themes there – international and the build-out – because I actually think there’s a lot of misperceptions about the build-out so let’s start there. The first misperception is that WeWork, by the way, having lunch next to Adam and having him coach me on how we did the seating all wrong here...(Laughter) three or four times, he was very...

ADAM NEUMANN: It bothers me because the center of energy in this room is right here and no one is sitting there, and it’s right in front of us. And it’s these little details that we pay attention to, and this is how you bring people together and we have people sitting there facing in the wrong direction. And there’s enough room for all of us to get closer. (Applause)

TOM FARLEY: The last time Adam was here a few months back, he said, do you mind if we take a walk around the building. He just wanted to see it. We walked around. And he goes, do you mind if I don’t walk with you and I just walk by myself? And he walks over to my assistant and a nice woman sitting next to him, no introduction, I’m not there. And he’s asking them, you know, how is your energy level? What can we change about it? I walk over and they go, who was that crazy person? Oh, that’s Adam. That’s Adam. So, on the asset-light, I think there’s a lot

of misperceptions about a build-out. People think that a WeWork space is open, everything's open, everything's cubes. And in reality, something like 70, 80% of people are in offices.

ADAM NEUMANN: Only 10% of WeWork space is under this open environment that everyone's talking. And there's a misconception about the open environment because every huge enterprise in the world is changing all their designs to open environments. Stop, don't do it. It doesn't actually work the way you think that it works. People still need privacy. There's a lot of complications. You know how there's a trend and suddenly someone says, oh, we're all going to do the same thing. One guy actually, or a team gets the trend and everybody else is just copying and they miss the most important thing which is the energy and the happiness and fulfillment of those employees. So only 10% is actually pure open and the rest are different versions of enclosed spaces or common spaces that everybody can share, but not space that we count as associated with a person.

TOM FARLEY: Got it. And in the old days I would hear at times, well, Adam has a really big build-out with every facility, and how is he going to amortize that, and is he going to make money on a cash basis? But tell us a little bit about this asset-light strategy. We have our mutual great friends, the Rudins here. As a side note, I moved into a new condo last year and Michael Rudin is the, he's the Chairman of the Board. That's a little bit like having LeBron James at the pickup game at the park. (Laughter) So, I appreciate your service. But you're doing a really interesting project with these guys. Tell us about the asset-light strategy generally and will we

see more of it?

ADAM NEUMANN: The deal we're doing in the Brooklyn Navy Yard and it's been published already, but that's even bigger than asset-light, that's asset-right. They are doing us the favor and the great, great honor of building a whole building that we're going to take more than 60% of, maybe even more, but we'll try to leave a little bit for some extra upside. So it's more than just building. Now you're seeing that landlords are willing to build ground-up developments that cost hundreds and hundreds of millions of dollars to bring us inside which makes a lot of sense because in real estate if you have a tenant at hand, then you're moving a lot of the speculation out. But the other piece is it used to cost us, whatever our cost of construction used to be, it's today 50% of that price because we've spent a lot of technology, energy, and built a global supply chain that's able to lower costs. And where landlords used to give us 50% of the build-out, today the average is 80 to 85%. And in most new places we're entering, it's 100%. So India is a full partnership and, by the way, we're opening our first India location in July which is a big deal. We're opening our first Brazil location also in July which is a big deal for us, and those are two new countries. Israel is 100% partnership so 100% asset-light. We have a new form called the Management Deal where we partner with landlords and really the cost of construction has become less and less of a problem for us. Again, if someone was to replicate it, go convince the landlord to pay for your build-out. Good luck. Because they shouldn't – in a normal world they shouldn't. If you prove that by coming in you'll increase the value of the asset which we have proven over 100 times, then that's a different story. Then you're doing a positive business

transaction and that should occur.

TOM FARLEY: We're now a customer...

ADAM NEUMANN: Member.

TOM FARLEY: Member, pardon me. We're now a member of WeWork because found utility in our kind of far-flung offices. So, for example, we're a member in Sydney. How has it been different to form that culture? I mean you go into a WeWork here in New York and it's special. The community is there. It's crackling. You feel it. How is that different in Sydney, Paris, Beijing, India?

ADAM NEUMANN: So, I think again, and this is for anyone here who has a global business – I'm not inventing anything – the toughest thing in WeWork when you enter a new global market is understand the local culture. The biggest mistake we could do, as an American or a New York company, is walk into a new country, let it be Beijing or let it be Sydney, and say we know, we're the strong American entrepreneur, we know everything, we know the answers, and we're going to win. That's a great way to fail. When we go into new countries we actually go very open-minded. We know that we don't know and we try to learn the local culture. The secret of success for us is take the time to learn that culture and admit when you make mistakes and just keep growing and keep changing. And we learned that early on when we went to Boston. And

we thought, oh, Boston, New York, same culture, and it was not the same culture and it took us a second to understand that the Bostonians would not be happy with us until we hired the local leader. And once we did hire a local leader, the whole thing changed. Boston is one of our strongest markets in the world right now. We can't get enough of Boston. And that's the way you do it and that's how we did it.

TOM FARLEY: Without looking at Jen, when is your IPO going to be? (Laughter)

ADAM NEUMANN: I can't comment on that, but I can tell you that it will be. There will definitely be an IPO.

TOM FARLEY: So I do want to dig a little deeper, just the obvious setting of the New York Stock Exchange, but in general people are very interested. And there has been a theme where the greatest growth companies, and it's a relatively small number but you know the names – Brian Chesky...

ADAM NEUMANN: Wait, I thought you were going to ask me, when you will go public, where are you going to do it?

TOM FARLEY: Oh...

ADAM NEUMANN: Isn't that the right question?

TOM FARLEY: When you go public, where are you going to do it?

ADAM NEUMANN: Well, I can't answer that either...(Laughter), but I can tell you that you are – without a doubt – the most persistent and the CEO that has talked to me the most times, made friends with me, got to know me, brought me into the space, taught me what he does, so I can tell you that you've been doing a great job. You're doing a great job developing a relationship.

(Applause)

TOM FARLEY: I've got a head start.

ADAM NEUMANN: You're doing a great job developing a relationship. (Applause)

TOM FARLEY: That was not planned.

ADAM NEUMANN: This is how we build businesses, his business, and it's very important to do. And the reason I actually enjoy our relationship, you've done it genuinely. You told me from the first day that you would like me to go public here. There's no I'm going to be your friend and...(Laughter) and you were very serious about it. And, by the way, I derive not only pleasure from our relationship but also you teach me things. I learn when we meet. And you've taught me

about other IPOs and other things and I just appreciate it.

TOM FARLEY: I appreciate you saying that. Wow, that was not planned. Thank you.

(Applause) So, I probably should therefore ask him a really easy question, but I'm not going to.

But I'm not going to. So, it has been rumored, not even rumored, written about in the press that SoftBank will invest in you. I know that you can't comment because Jen has told me that. But amongst the things that have been reported, again I'm not asking you to comment, are that it would include a secondary portion. In other words, this is no longer just WeWork raising \$1.8 billion, this is Adam Neumann and employees and maybe even early investors selling some of the heroic gains that they've earned. The question I have isn't about whether it's happening or not with SoftBank. Truly, I'm not putting you in an awkward spot. But why would one do a secondary as opposed to going public? And I ask you that because that is something that many, that's a question that many companies ask and I'm just wondering if you have any particular insight on that.

ADAM NEUMANN: So, first of all, I think it is excellent and very relevant question. I do want to point to something you said. You said it has been written about. We do know that things that are written are not always true. It's important to remember that.

TOM FARLEY: Yes. Fake news.

ADAM NEUMANN: I didn't say fake news, even though it's a great term. But not everything. We've experienced firstly things written about us in the past that are completely false and it's important to remember that when we all pick up our phones or our newspapers and read. Just remember that piece. But here's my opinion about secondary, and I'll use us as an example, but I'm talking about the whole category, but in WeWork, we have employees – some of them are sitting, I'm seeing them right here – who started with us on the first day we started, that have been with us for seven years. And they vested after five years and they never asked for more equity and no one ever, very few employees actually left us for a reason of we're going to go to the next thing, not because there's different types of problems. But our early loyal employees, we pride ourselves that most of them have stayed. We pride ourselves that they have not actually come and asked for more equity. And one of the secrets of success is that when someone deserves more, give it to him before they ask because that's good leadership. And they, in return for joining us, they took lower salaries, they worked very hard hours, they gave up something to be part of this mission, and therefore, I do believe it is our responsibility to think back to them and say how can we also take care of you. And when I think of secondary, and we're extremely grateful, I know it's a fact that we could be nowhere without our employees. CEOs say this sometimes and leaders say this, we know it. We know it to the bottom, to the depth of our soul, and we're so grateful for that. And therefore, and now I'm talking about secondary in general, because we have seen some companies do secondary, like everything in life, if you have the right culture, the right plan, and the right thought process behind it, it can be an event that uplifts the company, makes everybody fulfilled and happy, makes everybody work harder, and derives an

even bigger return for investors. If you do it wrong, though, and I have seen those examples also, it can be, and has been, sometimes disastrous. So I fully understand that. But I support that as a concept, when done in an extremely thoughtful way that's going to uplift the employees, take care of the customers, and therefore take care of the investors in a bigger way.

TOM FARLEY: Thanks. I'm approaching the end of our talk so I'm going to do a couple rapid-fire questions that if I didn't get to, I'd be kicking myself. One thing we haven't talked at all about and yet it's something that, you know, around the water cooler we like to talk about, is WeLive, because it's just an interesting, you know, concept, but yet you only have two. And I asked Bill Rudin, you know, how's that going? He said from his perspective the one that's open is going great. So, why is it you only have two?

ADAM NEUMANN: Because we pay on time. It's Bill Rudin's building and he took a risk on us doing the first one and we're actually 100% full with 100% waiting list, which is amazing.

TOM FARLEY: So, why aren't there 50?

ADAM NEUMANN: I don't know if you saw, Bill, we just opened a retail, the basement just opened, everything, it's moving forward very quickly. By 2030, 60% of the world population is going to live in major cities. That's approximately another billion people that are going to move into major cities. Under the 80/20 rule, 80% of that 800 million of those people are going to go

to basically 200 cities. All those cities around the globe, including New York City – this is in the next 13 years – these cities are not ready to receive this amount of citizens. And we know that people are going to need to live with less space for a variety of reasons, and not just the We Generation, all wants to live in major cities. It's not just the millennials, it's also their grandparents. Everybody wants to live in the cities, stay close to the community, be part of it. And therefore, a solution is needed, and that's where WeLive, and that's the logic case. It is an extremely complicated thing to do. It is extremely more expensive. Everything about it is tougher, and controlling or helping create a great residential environment and community is very difficult. The reason there are only two, there are actually multiple under development and construction around the world. We've just not been public about it, but they're starting to come. But the truth is, as opposed to WeWork, which we woke up one day and we're like, we're going to do this, we felt that for our members' sake, WeLive, you're touching their home, it's so private, it's such a personal experience, we should take the time and perfect the product. And it's not, it's against my nature, my nature is go and my employees who are here know I come up with an idea or we come up with an idea, we'll execute it the next morning. And it can be a very big idea, a huge change. When it came to WeLive, I was urged by both my board members who play a very active role in our organization and do a great job, and also by all of our employees and executives to do this, to take our time, and do it more than right, to bring to the world a product that will change the world. And that's what we're doing with WeLive. But expect to see a lot of them coming, and we're in no rush, we're not in a sprint, we're in a marathon. And this marathon, if you ask me what stage is WeWork at, we're 8% out of 100, we're just warming up,

and you can do the math on the valuation. And therefore, WeLive is going to be a tremendous success mainly in creating a solution for this world that if we don't create, I'm not sure where it's going to come from and it's very needed.

TOM FARLEY: I have two more questions. I'm going to let you end on an easy note, let you sell us about a topic I'm really interested to hear about. But first let me ask you one final tough question. As a business junkie, I've followed you. In fact, the very first time I met you, I think you had just raised money at like two or three billion in your office, and I remember you saying to me, you know, that's just the start. And I think I doubted you a little bit and, you know, congratulations, here you are, \$17 billion. It's amazing. But as I've studied you, and as I study the success of the company, you've been kind of studiously apolitical, or so I've seen, at least in public. And in your Baruch speech, I detected just a little bit of political commentary and specifically you talked about presidents and ministers and CEOs who lie to us. You mentioned the environment, while not a political statement, you know I detected maybe a sub-current. Why do you feel now is the time to maybe make, start making a few more comments along those lines?

ADAM NEUMANN: First of all, I want to congratulate you on asking a question which I didn't know was going to come. (Laughter) That's impressive and...

TOM FARLEY: Adam asked me not to, Adam asked me to ask him the toughest questions here.

ADAM NEUMANN: He said, Adam, I know we have a relationship but it's my duty to ask you real questions. I said, please, as tough as possible. So, for those of you who get a chance, I'm pretty sure it's on YouTube, you're welcome to watch the speech and actually get context behind the words that were just being used because sometimes the danger, and I think in press that's the danger sometimes, someone will take one sentence out of an entire speech and say you said that, and I say, well, no that's not what I said. What I actually said was a story and I will give you the very short version of the story. I said that the We Generation, and who is the We Generation, the We Generation does not discriminate between age, gender, race, or religion. The We Generation understands that treating other people the way we want to be treated is the way to be, that being part of something greater than yourself is a privilege, and that that privilege should be cherished. We should be grateful for it, but we also take a responsibility, anyone who lives that life of privilege should know that you're responsible to live a meaningful life. And what I said is that as future, as we're moving more and more into the future, and we're all connected through technology, through physicality, through transportation, through all the amazing things that are happening in the world, borders and boundaries are shifting. We, as people, are the We Generation. And you can be Chinese, you can be Israeli, you can be from New York, you can be from Berlin, you can be from Saudi Arabia, you can be from any country on this earth. And as long as you subscribe to the same common values that we do, and as long as you believe in the same things that we believe, well, then you're a member of our tribe. Our tribe is global, and yes, of course, our tribe – and this is not specific to anyone because there is not one politician in the

world today and there is not one government in the world today that if we understood the politics behind them, we wouldn't have tremendous amount of criticism about all of them, and I bet we could catch all of them in a thousand different things. So there's not even one that the We Generation will cut slack to. And as people, we're going to hold everyone accountable. It might take us, I said, a week, or a year, or a decade, but we will not stop, and we will come together. And that was the message and that's really what it says. And it's, I actually think it's, apolitical is the word you used...

TOM FARLEY: Yes.

ADAM NEUMANN: It's apolitical because WeWork is not, as much as we're from New York and we are a Delaware currently...I'm not even sure I'm going to say something if it's not accurate, so I'm not going to say what type of ...we're a C-Corp. We're a C-Corp, I know that. I know that piece. But we are officially, in case anyone is wondering, a global company. And we don't look at the world as one country. We do not have a political opinion – neither right nor left – because our only political opinion is we care about this globe. It is our job to ensure that it doesn't blow up. And there are a lot of great people in the world right now caring and we just want to bring them together. And if no one else is going to be the voice, then as long as we're needed, we will be the voice, and I hope a lot of people will join us because I know this is a common voice. We didn't invent any of this. This is every single person's here truth.

TOM FARLEY: Amen.

(Applause)

TOM FARLEY: I'm going to go ahead and end on that note because my next question would have paled in comparison and I can ask them afterwards. Could everyone please join me in thanking Adam. I think you all see why we were so excited, on behalf of the Economic Club, Barbara, Terry, but also the NYSE, to welcome Adam. I think we all, as New Yorkers and just global citizens, wish him great success. And please give him a large round of applause.

(Applause)

CHAIRMAN TERRY J. LUNDGREN: Thank you. Thank you Adam. It was a great conversation, lots of great lessons here. And culture today is obviously top of mind for lots of companies, and I think you spoke to the subject eloquently. And thanks, Tom, for leading the discussion and for your hospitality today and bringing us back to this great venue. Just some final notes about what's coming in the next 30 days. We have tomorrow, Dr. Craig Thompson is a very different subject. He's the CEO of Memorial Sloan Kettering Cancer Center, and obviously of interest to everyone. And then next Thursday night, we have Jeff Immelt who made a major announcement just recently. And Jeff is going to be, Jeff, of course, is the Chairman and CEO of GE, and he'll have a dinner with us next Thursday. And then we have Bruno Le Maire, who was just recently appointed Minister of Economy of France, so obviously very timely, under

the leadership of President Macron, which is very exciting. And then July 12, we have just announced Jay Clayton. He's the Chairman, brand-new Chairman of the SEC. So, a great lineup coming up ahead of us in the next several weeks. Thanks everybody for your attendance and for your support of the Economic Club of New York. Thanks.