Workplace Group (IWG plc), discuss the Updater - our time-saving earnings tool, highlight our participation at Vancouver's Up the Down Dinner and plans for the November UVA Investor Conference...and remind you that we're hiring!

competitor, International Workplace Group, (IWG plc).

Dec-09

Dec-10

THE WOES OF 2019 IPOS: What we can learn from WE by knowing IWG

way downs of The We Company (WE). In the month of September alone, Matt Levine of MoneyStuff discussed the IPO topic in fourteen of his daily e-newsletters, nine of which featured The We Company in the main headline. More buzz followed in the coming weeks when Adam Neumann stepped down as CEO, and the company announced its retraction of a very creative S-1 and an indefinite delay to the IPO. The dramatic story of WE doesn't come as much surprise, as the poor stock performances of companies - like Uber (UBER),

Lyft (LYFT), Slack (WORK), and Smile Direct Club (SDC) - have made investors wary of unprofitable unicorns. But behind The We Company's allure of fruit water, upscale coffee and unlimited beer taps, are hard numbers that investors can analyze to get a

Over the past few months, there's been a steady hum across our favorite news platforms on the ups and downs, and the all-the-

true sense of how the business operates. With The We Company adding to the 2019 roster of disappointing, over-hyped IPOs, we decided this would be a good opportunity to understand why. So, we turned our focus on what we know best: fundamentals. At Canalyst, we remain neutral on positions, yet we believe that clean data plus a solid understanding of comps are at the core of good investing. To shine some light on what happened to The We Company, we pulled up our pre-IPO model (available on our portal following the S-1 filing) and looked at how the company stacks up against its more mature and profitable European

The Summary tab of a Canalyst model provides a quick overview of any company's operational data, margins, and cash flow, among many other stats. In the below examples, we see that IWG had 602,500 available workstations at the end of H1-2019 with an occupancy rate of 69.4%. The We Company had 604,000 workstations at the end of Q2-2019 with an occupancy rate of 87.3%. In those same periods, IWG was able to generate £3,751 per available workstation while The We Company generated \$483 USD – a difference of roughly \$4,000 USD per workstation.

Dec-13

Dec-14

Dec-16

Dec-18

Jun-19

Dec-11

IWG PLC Dec-12 Dec-15 Dec-17 FY2009 FY2010 FY2011 FY2012 FY2013 FY2014 FY2015 FY2016 FY2017 FY2018 H1-2019 mpany-Specific Operational Data 423.8 436.9 477.5 533.9 639.7 677.9 779.2 923.0 984.8 1,048.5 583.7 Total Americas Revenue, mm Total EMEA Revenue, mm 306.2 281.2 301.7 301.2 337.9 369.5 406.6 476.8 540.5 630.8 345.5 132.3 225.1 289.1 383.2 412.2 166.9 Total Asian Pacific Revenue, mm 141.7 169.1 195.9 242.0 363.2 212.6 202.3 211.8 386.1 449.2 462.1 440.0 Total UK Revenue, mm 191.4 178.9 329.1 439.0 Total Other Revenue, mm 1.040.4 1.676.1 1,055.1 1.162.6 1,244.1 1.533.5 1.927.0 2,233.4 2,352.3 2,535.4 1,302.4 22.0% 17.4% Total Americas Gross Profit Margin, % 21.9% 22.7% 27.3% 28.2% 24.6% 21.9% 15.6% 16.6% 20.4% Total EMEA Gross Profit Margin, % 27.1% 23.4% 22.9% 25.5% 23.9% 21.4% 22.3% 21.3% 18.0% 18.9% 16.6% Total Asian Gross Profit Margin, % 25.7% 26.4% 28.3% 25.6% 25.0% 20.1% 18.6% 17.2% 14.8% 6.5% 30.5% Total UK Gross Profit Margin, % 7.4% 14.9% 17.3% 24.2% 24.0% 23.9% 19.0% 12.6% Total Other Gross Profit Margin, % 25.8% Total Gross Profit Margin, % 22.3% 19.6% 24.0% 24.4% 22.9% 22.2% 20.1% 17.1% 16.1% 15.1% 72.3 74.3 80.1 90.6 115.0 131.7 149.4 173.9 188.7 203.4 Total Americas Weighted Average Workstations, 0 210.6 23.4 47.2 58.9 95.1 Total Asian Pacific Weighted Average Workstation 21.4 27.8 34.6 78.6 101.0 112.6 104.5 Total UK Weighted Average Workstations, 000s 33.5 37.8 50.6 60.0 72.5 81.5 96.2 107.1

161.5 168.7 184.6 204.5 259.8 311.9 371.6 433.5 477.1 547.3 Total Weighted Average Workstations, 000s 586.6 78.4% 86.5% 85.3% 80.3% 78.5% 73.4% 72.3% 72.0% 73.9% Total Americas Occupancy Rate, % 79.0% 77.7% Total EMEA Occupancy Rate, % 74.4% 78.6% 76.1% 81.6% 79.3% 78.6% 73.9% 73.8% 73.1% 69.4% 68.1% Total Asian Pacific Occupancy Rate, % 75.1% 75.8% 81.6% 78.7% 74.3% 74.2% 74.0% 70.1% 69.4% 67.6% Total UK Occupancy Rate, % 74.3% 83.7% 82.7% 82.3% 80.7% 75.0% 71.5% 66.0% 71.7% 77.7% 76.9% 84.2% 82.5% 79.3% 77.3% 77.0% 73.0% Total Occupancy Rate, % 69.6% 69.4% 5374 5152 REVPAW, £ 6535 6168 6297 6085 5903 5186 4931 4632 2220 REVPOW. £ 7479 7447 6928 6626 6643 7230 7219 7160 6895 6907 The We Company Ticker: WE US Not Restated 365 Last Price (USD) 90 92 365 \$ 125.00 366 91 92 90 Real-Time Stock Price: Bloomberg Dec-16 Dec-17 Mar-18 Jun-18 Sep-18 Dec-18 Dec-18 Mar-19 Jun-19 FY2016 FY2017 Q1-2018 Q2-2018 Q3-2018 Q1-2019 Q2-2019 Model Sheet Currency: USD Q4-2018 FY2018 Operating Stats - Workstation Open Workstation capacity BoP, 000s 107 214 251 301 354 214 466 548 56 Net Change in Open Workstation capacity, 000s 107 37 50 53 112 82 Open Workstation capacity EoP, 000s 107 214 251 301 548 604

107

161

233

276

328

410

(1,475.4)

(1,064.0)

(2.9)

(3,260.8)

(213.0)

(1,017.9)

(877.3)

2744

(1,203.5)

(107.4)

340

507

576

Memberships BoP, 000s 87 186 219 268 319 186 401 466 Net Change in Memberships, 000s 33 49 51 82 215 61 65 87 186 Memberships EoP, 000s 219 268 319 401 401 466 527 Average Memberships in Period, 000s 137 203 244 294 360 434 497 85.0% 81.3% Capacity Utilization, EoP Memberships vs Capacity, % 87.3% 89.0% 90.1% 86.1% 86.1% 87.3% 86.9% \$ 529.2 \$ 535.7 \$ 531.8 \$ 515.6 \$ 490.2 \$ 518.3 \$ 483.0 \$ Membership/Service Revenue per Member, \$/month/avg member 483.8 A few rows below, we see that The We The We Company Dec-16 Dec-17 Dec-18 Mar-19 Jun-19 Company has consistently negative USD FY2016 FY2017 FY2018 Q1-2019 Q2-2019 EBITDA margins (ranging from -50% OPEX (adj. for SBC) Margin, % 104.8% 107.5% 103.2% 125.4% 96.9% to -70%), with the cash flow summary SG&A (adj. for SBC) Margin, % 39.9% 48.6% 64.3% 53.9% 65.6% EBITDA Margin, % -65.3% 53.5% 71.8% -50.8% -68.8% revealing that they have issued debt Adjusted EBITDA Margin, % -64.9% -52.1% -64.3% -56.4% -64.9% and equity to sustain their negative Cash Flow Analysis cash flow from operations. In contrast, Operating Cash Flow before WC (288.0)(451.4)(1,205.8)(418.9)(535.7)IWG has historically posted positive Capex (1.024.0)(2,055.0 (599.0)(667.8)(1,203.5) (1,064.0) Core FCF, Pre Div (1,475.4) (3,260.8)(1,017.9)

Dividend Paid

Core FCF, Post Div

Acquisitions

Divestiture

EBITDA margins (ranging from 15-17%) with positive cash flow from operations. The divestiture line also highlights the sale of IWG's Japanese operations to TKP Corp, which sent its shares up by about 20%. **IWG PLC** D GBP COGS Margin (Excluding D&A), % SGA Margin, % R&D Margin, % EBITDA Margin, % Adjusted EBITDA Margin, % Cash Flow Analysis Operating Cash Flow before WC Capex Core FCF, Pre Div

Dividend Paid Core FCF, Post Div Acquisitions Divestiture Change in WC

New Equity Issuance

New Debt Issuance

Change in Cash Position

The We Company

Real-Time Stock Price: Bloomberg

Add back: Stock Based Comp, mm

Total Other Revenue, mm

Total Americas Gross Profit Margin, %

Total EMEA Gross Profit Margin %

Total Asian Gross Profit Margin, %

Total Other Gross Profit Margin, %

The We Company

Real-Time Stock Price: Bloomberg

Contractual obligations for 2020, mm

Contractual obligations for 2021, mm

Contractual obligations for the remainder of 2019, mm

Model Sheet Currency: USD

Ticker: WE US

Last Price (USD)

earnings.

manager:

Total UK Gross Profit Margin, %

Total Gross Profit Margin, %

Total Revenue, mm

Contribution margin including SBC and non-cash GAAP straight-line lease cost, mm

and with a more manageable number of lease obligations.

searches and entry during the earnings season crunch weeks.

adopter and vocal proponent of this time-saving tool.

What was your process like before Canalyst? What technologies were you using?

Ticker: WE US

Last Price (USD)

Other Items

Open Workstation capacity Average of Period, 000s

	Chang	e in WC				464.9	695.4	1,029.1	374.1	381.8	
	New E	quity Issua	nce		681.1	1,706.7	3.5	1.9	32.4		
	New D	ebt Issuan	ce			(31.3) (11 36.2 927		1,595.6	2,086.4	955.2 2.7	
	Other	Items						838.5	256.2		
	Change	in Cash Posit	ion			84.0	1,590.8	(7.2)	823.4	61.3	
	A.	A.			3870	05/00	25/0	X875			
Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Jun-19	
FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	H1-2019	
0.01						2014					
70.7%	73.3%	69.6%	68.7%	69.3%	70.3%	70.5%	71.3%	74.0%	74.6%	75.7%	
15.8%	18.8%	19.3%	18.1%	17.8%	16.0%	13.3%	11.5%	10.0%	10.0%	11.1%	
-	-	-	0.4%	0.5%	0.5%	0.5%	0.1%	-		-	
13.4%	7.8%	11.2%	12.9%	12.4%	13.2%	15.7%	17.0%	15.9%	15.4%	13.2%	
13.5%	7.7%	11.1%	12.8%	12.3%	13.4%	15.8%	17.0%	16.0%	15.4%	12.8%	
136.9	68.2	113.0	134.5	166.3	187.2	238.8	328.7	347.0	344.3	112.6	
(46.9)	(73.5)	(124.1)	(169.2)	(248.9)	(205.4)	(311.5)	(313.8)	(344.9)	(579.6)	(291.1)	
90.0	(5.3)	(11.1)	(34.7)	(82.6)	(18.2)	(72.7)	14.9	2.1	(235.3)	(178.5)	
(19.0)	(23.2)	(25.0)	(28.2)	(31.1)	(35.4)	(38.8)	(43.3)	(48.5)	(53.7)	(38.9)	
71.0	(28.5)	(36.1)	(62.9)	(113.7)	(53.6)	(111.5)	(28.4)	(46.4)	(289.0)	(217.4)	
(0.6)	(19.4)	(14.0)	(50.1)	(125.3)	(101.4)	(110.0)	(15.7)	(44.0)	(9.2)	(9.3)	
0.2	0.3	(1.8)	1.5	-	7.3	93.5	19.4	0.5	4.8	302.1	
(39.4)	10.6	50.8	46.4	64.1	80.3	99.5	104.2	44.2	166.4	86.1	

(17.3)

76.6

(3.8)

91

Jun-18

40.7

(3.6)

92

Sep-18

48.9

(3.1)

(11.9)

(32.0)

52.6

(1.0)

(31.6)

(70.2)

(13.8)

92

Dec-18

49.3

(13.3)

(46.9)

92.8

4.9

365

Dec-18

176.2

(22.8

(38.3)

176.9

14.0

Not Restated

45.3

(22.7)

91

Jun-19

70.6

(3.3)

90

Mar-19

1.3

(192.0)

(27.9)

(3.4)

129.8

Model Sheet Current USD FY2016 FY2017 01-2018 02-2018 03-2018 04-2018 FY2018 Q1-2019 Q2-2019 434.4 866.9 388.5 454.0 720.6 Membership and service revenue, mm 325.5 529.4 1,697.3 628.1 Other revenue, mm 16.7 33.1 28.3 46.3 100.2 86.4 19.1 Total Revenues, mm 436.1 886.0 342.2 421.6 482.3 575.7 1,821.8 728.3 807.1 Operating Stats - Contribution Margin (S-1) 434.4 866.9 325.5 388.5 454.0 529.4 1,697.3 628.1 720.6 Membership and service revenue, mm Total Location Operating Expenses, mm 433.2 814.8 288.2 347.8 405.1 480.1 1,521.1 582.9 650.1

1.2

(2.0)

366

Dec-16

365

Dec-17

52.1

(18.7)

90

Mar-18

37.3

(2.8)

(1.2)

(3.1)

While IWG, which is more geographically diverse, has a total of five segments, three of which — Americas, Asian Pacific and EMEA (Europe, Middle East, and Africa) — are, posting positive annual growth since FY2013. Its UK segment is currently struggling with back-to-back years of negative revenue growth and its lowest annual gross profit margin since FY2010.

Similar to other unprofitable unicorns that actually went public this year, The We Company has managed multi-digit revenue growth during its last two fiscal years. This growth, however, has been made possible through significant capital expenditures.

(2.0)

3.1

(1.2)

(8.0)

(0.6)

(10.9)

\$ 125.00

OFF

(0.4)

(0.3)

(14.4)

Add back. Stock based comp, mm					2.01	(10.7)	(2.0)	(5.0)	(3.1)	113	.0)	(22.0)	122.11	(3.3)
Contribution margin including non-cash GAAP straight-line lease cost, mm					3.2	70.8	40.1	44.3	52.0	62	.6	199.0	67.9	73.9
Add back: Straight line rent, mm					2.7)	(162.3)	(55.0)	(62.2)	(69.4)	(81	.5) (268.1)	(102.2)	(96.0)
Contribution margin excluding non-cash GAAP straight-line lease cost, mm				9	5.9	233.1	95.1	106.5	121.4	144	.2	467.1	170.1	169.8
Contribution margin including non-cash GAAP straight-line lease cost, %				0.	.7%	8.2%	12.3%	11.4%	11.4%	11.8	96 1	11.7%	10.8%	10.2%
Contribution margin excluding non-cash GAAP straight-line lease cost, %				22.	1%	26.9%	29.2%	27.4%	26.7%	27.2	% 2	27.5%	27.1%	23.6%
				- Iv										
IWG PLC														
Ticker: IWGLN Re				Restated							Unrestated	Unrestate	Unrestated	į.
Last Price (GBp)	412.00 p	371	365	365	366	365	365	365	366	365	181	184	365	181
Real-Time Stock Price : Bloomberg	OFF	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Jun-18	Dec-18	Dec-18	Jun-19
Model Sheet Currency: GBP		FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	H1-2018	H2-2018	FY2018	H1-2019
Growth Analysis		_												
America Revenue Growth, %			3.1%	9.3%	11.8%	19.8%	6.0%	14.9%	18.5%	6.7%	-0.1%	13.0%	6.5%	18.2%
EMEA Revenue Growth, %			-8.2%	7.3%	-0.2%	12.2%	9.4%	10.0%	17.3%	13.4%	11.7%	21.4%	16.7%	17.1%
Asian Pacific Revenue Growth, %			7.1%	19.3%	15.8%	14.9%	7.5%	19.5%	25.6%	5.5%	2.7%	12.5%	7.6%	-15.0%
UK Revenue Growth, %			-6.5%	18.8%	-0.4%	55.4%	17.3%	16.3%	2.9%	-4.8%	-1.0%	0.5%	-0.2%	-6.6%
Other Revenue Growth, %			21.4%		-23.5%	30.8%	-64.7%	383.3%	186.2%	-54.2%	33.3%	25.0%	28.9%	66.7%
Total Revenue Growth, %			-1.4%	11.7%	7.0%	23.3%	9.3%	15.0%	15.9%	5.3%	2.9%	12.6%	7.8%	8.2%
Segmented Results - Revenue and Gross Profit B	reakdown (FS)													
Total Americas Revenue, mm 423.8 436.9			477.5	533.9	639.7	677.9	779.2	923.0	984.8	493.7	554.8	1,048.5	583.7	
Total EMEA Revenue, mm 306.2 281.2			301.7	301.2	337.9	369.5	406.6	476.8	540.5	295.0	335.8	630.8	345.5	
Total Asian Pacific Revenue, mm		132.3	141.7	169.1	195.9	225.1	242.0	289.1	363.2	383.2	196.4	215.8	412.2	166.9
Total UK Revenue, mm 191.4 178.9			212.6	211.8	329.1	386.1	449.2	462.1	440.0	216.5	222.5	439.0	202.3	

1.055.1

21.9%

27.1%

30.5%

9.7%

1.040.4

22.7%

23.4%

25.7%

7.4%

\$ 125.00

OFF

1,162.6

27.3%

22.9%

14.9%

Although the recent departure of Adam Neumann as CEO may have decreased concerns surrounding The We Company's governance, a quick look at its balance sheet shows the lease obligations it faces, and it also highlights the significant risk in its business model during recessionary times no matter who is in charge. The co-working companies take on long-term leases while their client base is seeking flexibility and short commitments, making it a risky business overall. IWG has proven capable when dealing with this inherent risk through its geographical diversity, leaving it less susceptible to regional economic downturns,

366

Dec-16

FY2016

365

FY2017

Dec-17

90

Mar-18

Q1-2018

91

Jun-18

Q2-2018

92

Sep-18

Q3-2018

92

Dec-18

Q4-2018

365

Dec-18

FY2018

1.244.1

28.2%

25.5%

28.3%

17.3%

92.3%

1,533.5

24.6%

23.9%

25.6%

24.2%

1,676.1

22.0%

21.4%

25.0%

24.3%

1,927.0

21.9%

22.3%

20.1%

24.0%

2,233,4

17.4%

21.3%

18.6%

23.9%

2,352.3

15.6%

18.0%

17.2%

19.0%

1,204.0

15.9%

17.4%

16.0%

15.4%

20.8%

1,331,4

17.2%

20.1%

13.6%

9.9%

8.0%

2,535.4

16.6%

18.9%

12.6%

Not Restated

91

Jun-19

Q2-2019

4,195.7

2,335.3

2,425.1

90

Mar-19

Q1-2019

3,815.9

2,275.8

2,470.4

1,302.4

20.4%

16.6%

6.5%

1.8%

137.5%

15.1%

3,293.4 3,194.2 Contractual obligations for 2022, mm Contractual obligations for 2023, mm 2.632.7 2.494.2 Contractual obligations for 2024 and beyond, mm 27,945.9 24,734.4 42,434.0 39,378.9 We don't take views at Canalyst, but with the recent cuts in The We Company's rumored valuation and withdrawn IPO for 2019, it seems as though the market has.

THE CANALYST UPDATER: Saves a full day of work or more during earnings

Earlier this year, we introduced you to our Toolkit 2.0, a suite of sophisticated tools designed to maximize your time during

The most notable of those tools – Canalyst's Updater – has gained popularity over the past months, with many of our clients integrating the function into their workflow to save time. With just a few clicks, the Updater seamlessly incorporates the latest earnings information of any given company into a customized working model, drastically cutting down time spent on data

Since the launch of the Toolkit version 2.0 in June, the Updater benefits have clearly caught on with our clients. In the past three months, we have seen an impressive 50% MoM increase in usage.

Here's our Updater interview with an Equity Research Analyst covering the Information Technology sector at a \$10B+ asset

I used mostly Excel plus work from sellside analysts who had knowledge on just the groupings of companies they covered. The challenge there was that every model came back looking different - build-up to revenue was different, everything. Plus, they had subscriptions to third-party data that I couldn't get a hold of or verify. I wondered, "Where did the data come from? Did they make it up?". When I finally received requested information from them, it required spending a few hours on each model, going

So what's so great about the Updater and why should you be using it? Last newsletter, we highlighted the Updater's ease of use, supported customizations, and ability to transform earnings season. This time, let's hear from a Canalyst client who is an early

The great thing about Canalyst is everything arrives in the same structure, so you don't need to revisit or relearn how data is presented. I like that Canalyst data also comes from the filing and/or press release, which is the single source of truth.

earnings, the season has now evolved for me since using Canalyst. I used to miss stuff when I'd have to update myself. Many times, the Canalyst data is readily available before the earnings call and that's a huge advantage to me. Before jumping on a call, I open my model, take a look through the drivers, expectations, etc., and I'm quickly prepped. I get to tackle my other

On September 12, Canalyst attended the annual <u>Up the</u>

<u>Down Market</u> Dinner in Vancouver, bringing together

big players in the financial industry to participate in a simulated stock market game to test investment

COMMUNITY

CANALYST IN THE

responsibilities with the time I saved.

savviness for a great cause. The event was hosted by the <u>Down Syndrome Resource Foundation</u> and has become one of our favorite Canalyst team outings.

through 15+ tabs, just to pull out what I needed. How has using Canalyst given you a competitive edge? What does earnings season look like to you now that you've incorporated the Updater into your workflow? Learning about the Updater feature for adding quarterly data into a model was massive! Especially during the frantic time of

University of Virginia's Investing Conference. Hosted by the Darden School's Richard A. Mayo Center for Asset Management, this annual event gathers industry leaders and top academics for insights on "the future

WE'RE HIRING

WE'RE ATTENDING

DARDEN SCHOOL

of BUSINESS

UVIC 2019

On November 8, Canalyst will be sponsoring the

of alpha" for various asset classes and investment strategies. Canalyst is excited to attend and provide our models to students for the stock pitch competition.

research teams are looking to expand. If you know anyone who has a knack for stocks or technology - or both, we'd love to hear from them! Please visit the Canalyst careers page to learn about current job openings.

As Canalyst continues to grow, our engineering and equity

across most other sectors in the process. James holds a Bachelor of Commerce from the University of British Columbia and is a recipient of a Leslie Wong Fellowship from UBC's Portfolio Management Foundation, and is a CFA Charterholder. Reproduction and distribution is prohibited without permission of Canalyst. Canalyst has no obligation to amend or update this newsletter. Canalyst is not a licensed

financial or investment advisor, nor does it provide financial or investment advice, and this newsletter and its contents should not be relied upon as such. Interested in learning more about how you can uncover more investment opportunities with Canalyst financial models?

James Rife Canalyst, Head of Equities Prior to founding Canalyst, James had 10 years' experience in equity research and portfolio management. He started his career in equity research with Fidelity Canada's investment team, covering sectors including Utilities, Forestry, Technology, and Energy from 2006 to 2010. After Fidelity, he took a role as Portfolio Manager at a Boston-based \$1B long/short fund, rounding out his experience

Copyright © 2019 Canalyst, All rights reserved.