Markets

# Teetering WeWork Takes on Meme-Stock Flavor as Stock Surges

- Stock soars 43% after company warned about its finances
- Bullish options activity jumps, adding to the stock rally


WeWork Says It 'Doubts' It Can Stay in Business

By Norah Mulinda
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This article is for **subscribers only**.

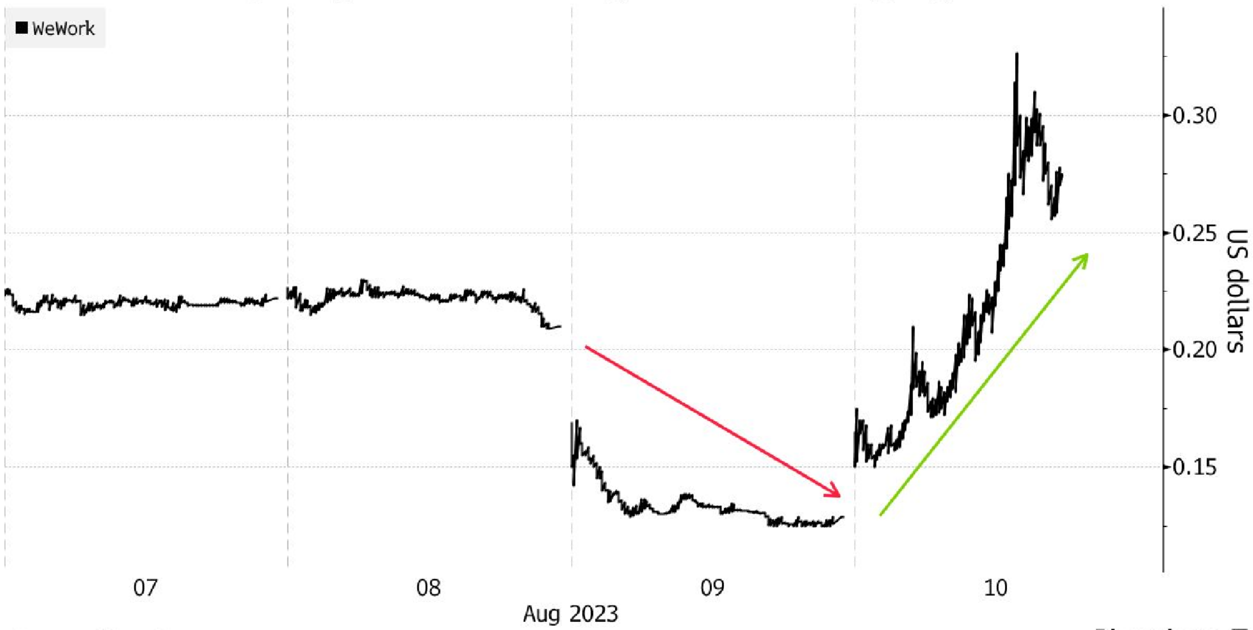
In what has all the contours of a classic meme-stock rally, WeWork Inc. leaped by a record 43%, after earlier soaring as much as 153%, just days after the co-working space provider warned that it may have difficulty staying solvent.

Thursday's surge drove the stock as high as $0.33 before closing at $0.18, with a flood of options activity likely amplifying the gains. Volumes in bullish options on the stock exceeded bearish bets by more than 100 times as of 1 p.m. in New York. The three most-active options were $0.50 calls for various expiration dates. Most block trades were done at the ask, signaling aggressive buying.

The move is reminiscent of ones seen by other struggling firms, including Tupperware Brands Corp., Revlon Inc. and Hertz Global Holdings Inc., which have all staged similarly eye-popping rallies despite uncertainty over whether they'd be able to keep the lights on.

"It's not at all rational," Steve Sosnick, chief strategist at Interactive Brokers LLC, said. "But if an irrational strategy keeps working, people will keep doing it."

**WeWork Jumps by Record a Day After Falling by Most Ever**




Source: Bloomberg

Bloomberg

The rapid rally comes on the heels of what was the stock's worst day on record after it sank 39% Wednesday to close at a record $0.13. Despite the rebound, WeWork shares have still lost more than 95% since their trading debut in 2021, erasing more than $11 billion in market value.

Read: With WeWork's Very Existence in Doubt, Last Bull Folds (1)

One classic meme ingredient that's missing from Thursday's rally is that the stock doesn't have excessive short interest. The retail crowd has, in the past, targeted short sellers by piling into what appears to be certain losers, forcing bears to buy back shares to cover the positions.

Even with the company's travails, including a beaten-down real estate market and losing its chief executive, bearish interest in WeWork have been subsiding in recent months, with short interest falling to 14% of its free float, the lowest level since February 2022, according to data compiled by S3 Partners.

Betting on WeWork's equity just after it warned about a potential existential threat is especially risky. Equity investors often get zeroed when a company goes bust – a scenario that, going by action in the company's bonds, is considered not unlikely.

WeWork commenced a distressed exchange earlier this year that allowed bond holders to swap old notes for new ones, including new first lien senior secured instruments due 2027 that pay 15% through a combination of cash and interest paid in kind. Those notes, which carry the highly risky CCC+ rating, last changed hands for 52.5 cents on the dollar, according to Trace.

The bond pricing "tells you that there is virtually no likelihood that bond traders will be paid in full, let alone the chance that there will be any recovery for common shareholders," Sosnick said.
*– With assistance from Elena Popina, Bailey Lipschultz, Michael Tobin, and David Marino*

*(Updates for market close.)*