

# JUSTCO HOLDINGS

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NOT JUST ANOTHER WEWORK?

30 SEPTEMBER 2026

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CORPORATE  
MONITOR LIMITED



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## EXECUTIVE SUMMARY

It is not surprising that investors compare JustCo to WeWork, as both share the same business model: sign a long lease with a landlord, spend on renovation, rent out workstations on shorter and flexible terms, and earn the rental spread. There are inherent mismatches of fixed cost versus flexible revenue, long liability versus short visibility.

The flexi-office business model carries high operating leverage, given that its costs are mostly fixed. In 2025, cash lease expenses alone accounted for 64% of JustCo's revenue. Other operating expenses are mostly fixed too. In a rising market, JustCo will do very well, but in a declining market, JustCo will do poorly.

It is not hard to understand JustCo's business model conceptually, but not easy to fully reconcile the key metrics and their changes to the financial statements. Based on Corporate Monitor Limited's (CML) interaction with JustCo, we believe management wants to help investors better understand its business, but deems it impractical to provide full granular data given the geographical spread of its centres and their different maturities. While CML acknowledges the practical difficulties, it is a challenge to build a good understanding of JustCo's business.

The key metric of breakeven occupancy is a case in point. JustCo neither discloses nor discusses breakeven occupancy in its prospectus. The high proportion of fixed costs means that if occupancy rate exceeds the breakeven level (i.e. revenue exceeds the fixed cost), the incremental revenue will flow directly to profit. JustCo disclosed verbally that its breakeven occupancy is between 50% to 60%. However, CML observed that JustCo reported losses in 2023 and 2024 when occupancy rate was 78%. It reported a profit in 2025 when occupancy rate reached 84%.

The other lever to boost profit is to increase the rental spread, which means an increase in JustCo's average revenue per workstation. However, this metric declined by 8.3% from 2023 to 2024, and 1.7% between full year 2024 and the first half of 2025 (1H 2025). It was only when the Japan operations were consolidated in 2H 2025 that revenue per workstation improved. This metric declined again from 2H 2025 to 1H 2026. JustCo informed that on a like-for-like basis, revenue per workstation improved, but there is no data to substantiate this. Even if revenue per workstation remains stable, JustCo would be squeezed because leases with its landlords carry lease escalation clauses, as per market norms.

Boosting occupancy rate requires constant marketing expenses to more than replace departing clients. JustCo has improved its renewal rate but average member tenure remains at 15 months, which implies a constant churn rate. This task will get harder when JustCo needs to also fill up 28 new centres in Asia in 2026, including in new markets such as India, Malaysia, Hong Kong and the Philippines.

New flexi-office centres take time to ramp up occupancy rates and will be loss-making initially. The key is the time required to breakeven and to achieve payback. JustCo provides a ramp-up

schedule based on historical data. CML's view is that such historical data will not apply to the new markets, since many new centres will be in new markets. More importantly, CML finds that even the historical data may not be representative. For example, the payback period is claimed to be 16 months, but 25% of centres opened since January 2022 have not achieved payback, even with operating history as long as 4 years.

By having very few new centres<sup>1</sup> from 2023 to 2025, JustCo was able to swing from losses to profits as its occupancy rate improved. With 28 new centres slated for 2026 and more than 22 to be added up till 2029, start-up losses from new centres should drag down JustCo's profitability. Instead, JustCo posted strong growth in cash EBITDA (its preferred metric) in its 1H 2026 results. However, Cash EBITDA margins from JustCo's new centres were better than those from its mature centres, contrary to expectations. By analysing cash lease payments against revenues, CML is of the view that this can be due to rent-free period for new centres. If so, cash EBITDA distorts JustCo's profitability as it scales up rapidly.

A key risk to JustCo's rapid growth in many new markets is site selection. Paying too much for capex and leases and getting demand wrong can doom a new centre to many years of poor profitability. Once opened, an unprofitable centre has to continue to operate and early closure is either not possible contractually, or not economical. Australia is a cautionary tale. In Australia, JustCo's flexi offices are still loss-making when occupancy rate climbed to 82%, when those in JustCo's other markets can be profitable at lower occupancy rates. Market conditions in Australia did not allow it to price its workstation to earn a sufficient margin on its leases to landlords.

Comparison with WeWork is likely to persist given the many similarities. See **Appendix 1** for WeWork's history. We think JustCo should improve its communication and find a way to provide useful data to prove that its business is superior and improving.

In the absence of sufficient data to fully reconcile and track JustCo's performance, what can investors count on? General macroeconomic conditions in JustCo's markets is the first factor. When an economy is doing well, both occupancy and revenue per workstation tend to improve. Given JustCo's business model, profit improvement can be quick and substantial. Of course, the reverse is equally true.

Secondly, investors need to be confident of JustCo's execution, especially given the rapid expansion. Getting into a poor market and signing a bad lease agreement can spell many years of losses for a centre, just like Australia. Investors have to count on JustCo not having too many of such centres in its portfolio.

In addition to disclosure, CML also sees some issues in JustCo's corporate governance. Firstly, JustCo's founder is both chairman and CEO, which is not a good practice. These 2 roles should ideally be separated. Secondly, 2 of JustCo's independent directors are associated with GIC, a

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<sup>1</sup> JustCo did not add any centre in 2024 and added 3 in 2025. Another 6 are centres in Japan that were operated by an associate which became a subsidiary of JustCo in 2H2025.

significant shareholder. While JustCo's arguments are in compliance with the Code of Corporate Governance, CML is of the view that JustCo can do better. Thirdly, one of these directors heads the nomination committee which is in charge of determining directors' independence, even though he recused himself from the decision.

Finally, CML is of the view that non-executive directors should not receive share-based incentives, but should, instead, be paid fully in cash. This practice aligns with other major stock markets.

# 1. INTRODUCTION

Corporate Monitor Ltd (CML) is initiating a report on JustCo Holdings (“JustCo”). Our focus will be on the Company’s business model and unit economics, which are unique among SGX-listed companies.

The headline revenue, EBITDA and profit are impressive, as JustCo turned profitable in 2025 after incurring losses in the previous two years. However, what are the conditions that made this performance possible? Can it do better? More importantly, as JustCo embarks on a rapid growth strategy throughout Asia, will this lead to more or less profit, at least in the short term?

It might seem strange that CML is even questioning if a company will make less money by expanding. To understand this, we first explore JustCo's business model.

## 1.1 JustCo’s Business Model and Its Operating Leverage

JustCo operates the same lease arbitrage model as WeWork, and inherits the same structural vulnerability. Please refer to **Appendix 1** for the details of what happened to WeWork.

Under the traditional lease (TL) model, the company signs 5 to 10-year leases from landlords at fixed rents<sup>2</sup>, fits out the space at its own cost, and sub-lets workstations to members on contracts between 6 to 36 months. The average tenure of JustCo's members is 15.2 months, virtually unchanged from 2023 to 2025. The lease obligation is fixed and payable from the day of signing regardless of how many workstations are occupied; membership revenue accrues only when seats are filled.

JustCo therefore bears the risk on both sides of the contract — a long, fixed lease liability to the landlords, but generates revenue from short-term and flexible customers. WeWork’s bankruptcy is a cautionary tale of where this asymmetry can lead when demand softens. The business model’s structural vulnerability lies in two mismatches: fixed cost versus flexible revenue, and long-term liability versus short-term demand.

JustCo takes pains to emphasize that its leases are shorter than WeWork’s, and has intervals to re-negotiate lease terms. However, because it needs to spend to fit out the offices and workstations, short leases may not allow JustCo enough time to recover such capital expenditure (capex). In addition, during re-negotiation for lease extension, JustCo runs the risk of higher lease expenses when the office market goes up and landlords have pricing power.

The management contract (MC) model somewhat mitigates, but does not eliminate, the risk of the TL model. There are two sub-types of MC. The first is where JustCo merely collects a fee from

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<sup>2</sup> These lease agreements have built-in escalation clauses or JustCo has to renew at some intervals at higher rents.

the landlord for managing the flexi work office. This is the lowest-risk option but such fee has been negligible. The second is where the landlord charges a minimum lease payment and a profit share above it, in exchange for incurring (all or a portion of) the renovation and start-up costs. Such a model may lower the fixed lease cost and reduce JustCo's downside risk, but does not eliminate it. It may also cap JustCo's upside when occupancy rate hits a healthy level. JustCo shares few details about the MC model, which is understandable as each MC may carry different terms. However, it is over-simplification to say the MC model carries low risk.

As of 2025, JustCo had 50 operational centres, of which 28 were under the TL model, and 22 were under the MC model. For 1H 2026, JustCo's had 57 operational centres of which 34 are TL and 23 are MC. JustCo claims that by net lease area, MC accounts for 40% of the total.

In short, the inherent risks of such a business model remain, and options to manage the risks carry compromises.

The magnitude of the fixed cost is the defining feature of the model. JustCo needs to earn enough just to cover its fixed costs. In FY2025, cash lease payments to landlords totalled US\$92.2m against revenue of US\$144.2m — the lease alone consumed 64% of revenue. There are other fixed costs as well. Some examples of variable expenses include workstation staffing, utilities, cleaning, and maintenance, but they pale in comparison to the fixed costs.

Such a business model carries huge operating leverage. When demand is strong and occupancy rate is high, every dollar of revenue above the breakeven flows to the bottom line. The company can be very profitable. Conversely, when demand is weak and occupancy rate is low, losses can pile up quickly. Worse, JustCo cannot resort to cost-cutting to ride out the weak demand, as there is little cost to cut. The lease cost is fixed and payable under the long-term TL contract, and there is a minimum lease payment under the bulk of the MC contracts.

Please refer to **Appendix 2** for JustCo's SWOT analysis.

## 2. UNIT ECONOMICS

With the business model in mind, it is crucial to understand JustCo's unit economics. In other words, at the centre or workstation level, how and when does JustCo make money. Only when the economics at the centre or workstation level is understood can we appreciate the company level profitability.

### 2.1 Breakeven Occupancy

We believe that this metric is important, but there is no mention of it in JustCo's prospectus.

CML's educated estimate of JustCo's breakeven occupancy is around 70%. We take JustCo's fixed costs as the sum of the cash lease payments<sup>3</sup> (which JustCo discloses as US\$92.2 million in FY2025) and Other Operating Expenses (US\$39.8 million in FY2025). We acknowledge that not all of the "Other Operating Expenses" are fixed, but in the absence of more detailed information, this probably comes close. Next, JustCo disclosed that in FY2025, each occupied workstation generated US\$450.7 of revenue per month. At 70% occupancy, revenue from ~24,400 workstations cover fixed costs of S\$132 million (S\$92.2 million + S\$39.8 million). The full calculation is in **Appendix 3**.

*Management communicated that JustCo's breakeven level is just 60%, but JustCo posted losses in 2023 and 2024 even when the occupancy rate was 78%. Only when occupancy rate improved to 84% in 2025 did JustCo swing into profit. It could be that JustCo is referring to another metric. In any case, JustCo is of the view that full breakeven occupancy analysis will require the disclosure of every centre's economics, which is not practical.*

## **2.2 Local Market Conditions Determine Profitability — The Australian Case**

Since the largest component of JustCo's fixed cost is lease payments to landlords, a market where lease payments are high and landlords are powerful could make profitability challenging.

JustCo's performance in Australia highlights this risk. Despite a long presence and decent occupancy rate and market share, JustCo has been losing money in Australia. JustCo holds approximately 13.4% market share in Melbourne, comparable to Singapore's 15.6%. Australia's occupancy was 82% in 2025, same as North Asia, but it could barely breakeven. By contrast, in Southeast Asia (primarily Singapore), profitability was achieved in 2023 when occupancy rate was 77%. Australia has largely recorded cash EBITDA<sup>4</sup> losses in every year, including for 1H 2026<sup>5</sup> where cash EBITDA was negative US\$1.3 million. See **Exhibit 1** for details.

It is important to note that JustCo uses cash EBITDA for such geographical breakdown. It is a metric we shall return to in **section 5.1**.

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<sup>3</sup> We focus on cash lease payments because the accounting principle (which JustCo adopts) for lease liabilities does not make it easy to understand the lease cost.

<sup>4</sup> Cash EBITDA is defined as EBITDA (before lease-related expenses) less cash lease payments on lease liabilities, plus foreign exchange gain or loss, share-based payment expense, and one-off income or expenses

<sup>5</sup> Australia had only mature centres in 1H 2026

**Exhibit 1: JustCo's Cash EBITDA and Occupancy Breakdown by Region**

| Segment                | 2023 Cash EBITDA | 2023      | 2024 Cash EBITDA | 2024      | 2025 Cash EBITDA | 2025      | 1H 2026 Cash EBITDA |
|------------------------|------------------|-----------|------------------|-----------|------------------|-----------|---------------------|
|                        | US\$ Million     | Occupancy | US\$ Million     | Occupancy | US\$ Million     | Occupancy | US\$ Million        |
| Southeast Asia (Total) | 4.3              | 77%       | 6.9              | 76%       | 8.7              | 85%       | 7.1                 |
| North Asia (Total)     | 1.1              | 85%       | 3.9              | 86%       | 3.9              | 82%       | 5.4                 |
| Australia (Total)      | -3.2             | 70%       | -3.9             | 74%       | 0.1              | 82%       | -1.3                |
|                        |                  |           |                  |           |                  |           |                     |

Source: JustCo's Prospectus Pages 99 and 105; 1H 2026 Financial Statements

If occupancy, brand, market share or operating experience were the determinants of profitability, Australia should logically be profitable but is not. Market condition is key. The corollary matters as much: market penetration rate — the metric the company uses to justify expansion — has no observed relationship with profitability in JustCo's own portfolio. Bangkok, at 1.8% flex penetration in the first half of 2025 (1H 2025), sits within the profitable Southeast Asia segment. Australia, at between 1.7% to 3.1% penetration, is loss-making. **Penetration measures demand maturity; it says nothing about whether a spread can be earned over the lease cost.** It is important to bear this in mind when assessing JustCo's expansion markets.

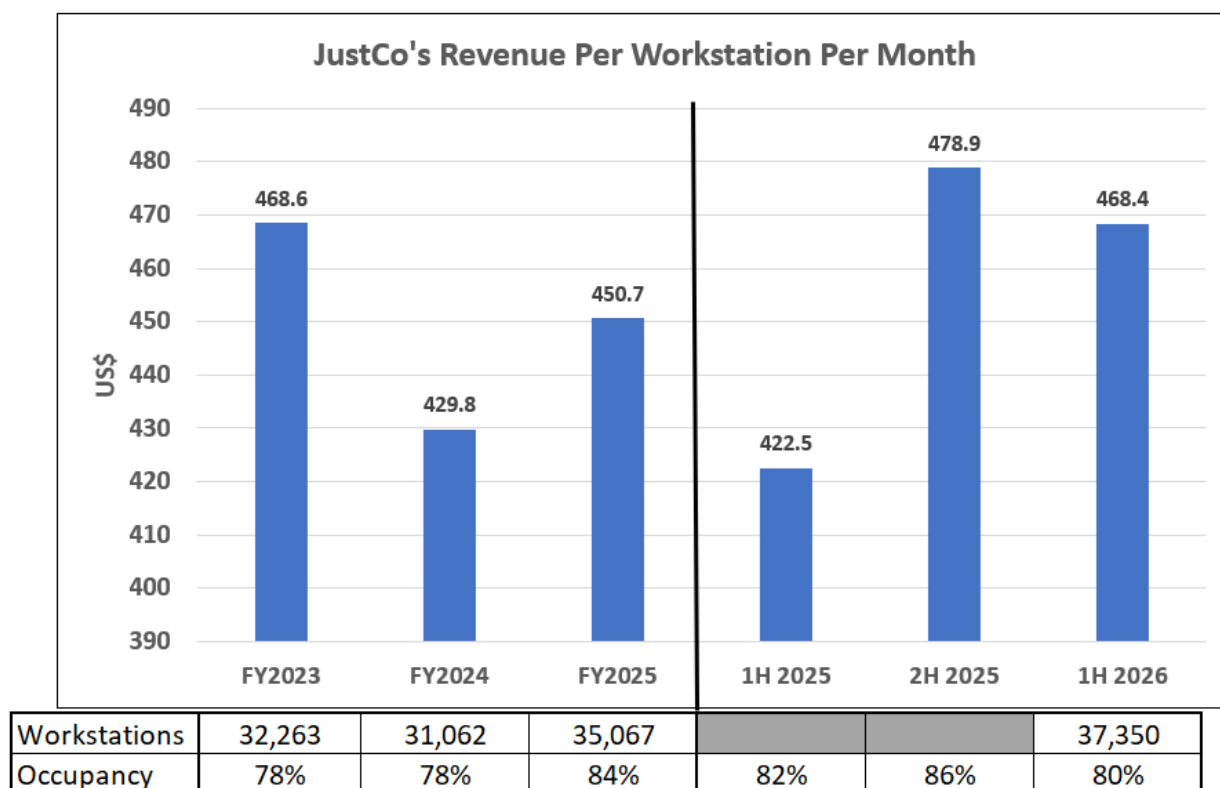
## **2.3 Membership Churn – Running Hard to Stand Still**

JustCo has to constantly find many new customers to replace the departing ones. Average member tenure of 15.2 months, flat for three years, implies annual churn of members which requires constant recruitment of new ones to replace. The sales organisation is running hard to keep the average flat. Marketing and commission expenses therefore are fixed costs, because failure to recruit new members will mean lower occupancy rates. Losses can pile up quickly once occupancy rate is below breakeven.

JustCo also disclosed that 36% of its clients are in the IT sector. With the growing adoption of generative AI, it is unclear whether the IT sector will see job losses which will negatively impact JustCo.

## **2.4 Revenue Per Workstation**

Average revenue per workstation declined, with some volatility in the last 3.5 years, as seen in **Exhibit 2** below. However, this could be due to the addition of centres in lower-revenue markets. JustCo claims that on a like-for-like basis, revenue per workstation is improving. However, there is insufficient disclosed data to verify this.

**Exhibit 2: JustCo's Revenue Per Workstation Per Month**

Source: JustCo's Prospectus Page 36; 1H 2026 Presentation; CML's Computation

Between FY2023 to FY2024, revenue per workstation fell by 8.3% when JustCo did not add any new centres. That means the existing workstations are selling for less. Yet, the occupancy rate stayed at 78%. If JustCo did not reduce the prices it charged, occupancy might end up lower than 78%. Revenue per workstation in 1H 2025 is 1.7% lower than FY2024. It was after JustCo completed the acquisition of its Japan centres on 1 July 2025 that revenue per workstation saw a boost to US\$478.9 in 2H 2025. This metric dipped again in 1H 2026 (compared to 2H 2025) when JustCo opened 7 new centres (in Malaysia, Japan, Singapore, and the Philippines). It could mean that the existing centres experienced price declines, or lower pricing in new centres dragged down the average, but we do not have information to confirm this.

Even a static revenue per workstation could mean the rental spread is narrowing. *JustCo confirms that lease contracts with landlords contain escalation clauses* (i.e. JustCo's lease obligation will go up during the contract period). A static or declining revenue per workstation also means the only lever JustCo has to improve profitability is the occupancy rate.

## **2.5 The Management Contract Model: Two Different Structures, Limited Protection**

The 22 MC centres comprise two structurally different arrangements, but only three of them are genuinely asset-light and do not entail demand risks for JustCo.

The remaining ~19 MC centres are variable lease structures<sup>6</sup> under which JustCo still retains occupancy risk. Under these contracts, JustCo books all membership revenue and pays the landlord a minimum rent and variable rent — a share of revenue or operating profit — recorded as an expense. If so, it means the same fixed-cost exposure as a traditional lease, although at a lower level. It reduces, but does not eliminate, the structural downside of the lease arbitrage model.

## **2.6 Payback Period**

JustCo disclosed that the payback period is 15.8 months for the MC model and 24 months for TL model. The shorter payback period for the MC model is to be expected as it involves very low upfront capital.

However, such payback period claims may not be representative. JustCo also disclosed<sup>7</sup> that as many as 34% of mature centres opened since January 2022 have not achieved payback as of December 2025. Even if we exclude the 9% that had not been operating for more than 16 months, there are still 25% of mature centres that failed to achieve payback. According to JustCo, these centres were opened in 2022 and 2023. JustCo does not explain why they failed to achieve payback, though. These centres have had at least 2 years of “return to work” post-COVID and as long as 4 years of total operating history.

The payback metric is key to understanding JustCo’s unit economics. The fact that 25% of mature centres did not achieve payback within a 4-year period reduces the credibility of the ramp-up profile discussed in sections 4 and 7.1.

## **2.7 Putting Everything Together**

Execution is key in making JustCo’s unit economics work. It needs to hit a certain occupancy rate just to break even. In some markets such as Australia, the breakeven point is higher. This is why Australia remained loss making. This breakeven occupancy can be 70% (CML’s educated estimate), or *JustCo’s claim of 60%*, or 78% as observed from audited financials.

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<sup>6</sup> Under a variable lease structure, the minimum base rent is capitalised and reflected in JustCo’s balance sheet as a right-of-use (ROU) asset and lease liability (the capitalised amount is less than amount under TL, and hence is asset-light compared to TL). The cash lease payment paid by JustCo to landlord in each financial year comprises both variable lease payments (which are pegged to revenue from the centre) and minimum base rent.

<sup>7</sup> Prospectus page 99, footnote 8

Instead of a predictable revenue business, JustCo has to constantly recruit new members. That means a lot of marketing and promotional effort and expenses, or occupancy rate falls. As we have seen, occupancy rate lower than the breakeven point could mean steep downside.

It would be helpful if JustCo can widen the rental spread instead of relying on just occupancy rate to boost profit. Even a static revenue per workstation means rental spread will more likely narrow since lease contracts contain escalation clauses.

The payback period is another important metric, but unfortunately, we have more questions than answers. It is noteworthy that only 75% of mature centres over a 4-year period achieved payback. JustCo's claim that its weighted average payback period is 16.4 months may not be representative.

### 3. WHY EARNINGS IMPROVED FROM 2023-2025

The earnings improvement from US\$3.4m to US\$13.5m of cash EBITDA is real, but it relied entirely on three factors that are not repeatable.

**Factor 1:** The portfolio was static, eliminating all costs of growth. JustCo operated exactly 41 centres in both FY2023 and FY2024; of the 9 additions in FY2025, 6 came from consolidating the Japan associate acquired on 1 July 2025 rather than organic openings. A static portfolio incurs no new fit-out capex, carries few centres in the loss-making ramp-up phase, and adds limited incremental fixed lease obligations. Every dollar of occupancy improvement drops through undiluted.

**Factor 2:** This is the bigger profit driver. Thanks to the operating leverage working on the upswing, occupancy improvement from 78% to 84% helps when the cost base stays largely unchanged.

**Factor 3:** Australia's drag was eliminated, releasing approximately US\$4 million at group level. Australia's segment cash EBITDA improved from -US\$3.9 million (FY2024) to +US\$0.1 million (FY2025), aided by occupancy recovery to 82%.

### 4. JUSTCO'S 2026-2027 GROWTH PLAN

JustCo plans to double its portfolio from 50 to approximately 100 centres by end-FY2028, opening 27–28 centres in FY2026 alone — more than half the existing portfolio in a single year, after two years of near-zero organic openings. Investors are rightfully focused on new centre execution, at a pace the company has never attempted, and in many new markets, some of which do not fit JustCo's narrative of attractive fundamentals.

## **4.1 Execution Risk**

The scale-up itself is an execution risk independent of market selection. The number of new centres for FY2025 is in single-digit; the operational cadence of opening 27–28 centres in twelve months — sourcing sites, negotiating leases, managing fit-outs, hiring and training centre teams, and filling 13,800 new workstations (in FY2026) — has no precedent in the company's recent history. The sales requirement compounds the challenge: maintaining the existing base of 29,422 occupied workstations against churn; the expansion adds a further ~13,800 seats to fill within 6–9 months of each opening.

The biggest risks in new centres are the lease cost and capex, as well as demand forecast. Overspending on both costs, along with poor demand, can doom the new centre to many years of disappointing profitability. It is hard to unwind a poorly-performing new centre due to initial capex and long-term lease obligations.

Compounding the risk is JustCo's plan to open new centres in new markets such as India, Hong Kong, Philippines and Malaysia. Apart from the usual execution risk outlined above, JustCo will be doing so where regulation, local landlord and contractor relationships, business norms, languages etc will all be different from what JustCo is used to. And all these in a short span of time.

## **4.2 Most of the New Centres Will be on Traditional-Lease Model**

JustCo is clear that it wants to increase proportion of MC centres, but by number, most of the new FY2026 openings (22 out of 28) will be under the TL model and only 6 under MC model. This will continue in 2027 and 2028, by which time the TL model will constitute 60% of total centres, slightly higher than the 56% in 2025 (**Exhibit 3**).

**Exhibit 3: JustCo's Centre Count by Model**

| Centre Count by Model           | 2025 Actual | 2026 Forecast | 2027 Forecast | 2028 Forecast |
|---------------------------------|-------------|---------------|---------------|---------------|
| Traditional Lease (TL)          | 28          | 50            | 55            | 60            |
| Additions During the Year       |             | 22            | 5             | 5             |
| Management Contract (MC)        | 22          | 28            | 35            | 40            |
| Additions During the Year       |             | 6             | 7             | 5             |
| Total                           | 50          | 78            | 90            | 100           |
| Total Additions During the Year |             | 28            | 12            | 10            |
| TL's Share of Portfolio         | 56.0%       | 64.1%         | 61.1%         | 60.0%         |

Source: UBS Initiation Report on JustCo dated 25 June 2026; JustCo's Prospectus

JustCo claims that by net lease area, MC model is already 40% of total. However, JustCo's growth plan does not include projections based on this metric.

### **4.3 New Markets**

Among the new markets, India is one that could pose the biggest challenge for JustCo. *To be fair, JustCo claims that it has existing client demand and will be calibrated in India expansion.* India combines the highest existing flex office penetration of any new market and entrenched competition at 20–50x JustCo's planned scale. Firstly, Bangalore and Delhi-NCR's flex penetration of 12–13% already exceeds the 10.6% London benchmark the company itself cites to argue Asia has headroom. By the company's own logic, these markets are already saturated. Secondly, the incumbents — Awfis (250+ centres), IndiQube (~130), WeWork India (~76), Smartworks (63) — hold the enterprise relationships, the landlord networks and the national coverage that multinational clients require. Although management justified its India entry by targeting the premium segment of the market with The Collective (which it feels is underserved), both Awfis and WeWork India also have a premium segment.

Conspicuously absent is Australia. JustCo is clear on not expanding in Australia due to the history of losses in this market. Investors should be mindful that poor execution can turn some of JustCo's new markets into Australia.

### **4.4 Co-Living**

JustCo announced that it will operate 123 co-living units in Orchard Point, accompanied by 2 floors of co-working space along with a 3-storey retail podium. Although JustCo has no experience operating a co-living space, the Orchard Point co-living venture appears to carry lower

risks, as it is on a MC basis. Management said that the property had 100% occupancy from Day 1, with breakeven cash EBITDA at around 50% to 60% occupancy rate. Orchard Point seems to be an exception for JustCo where a co-working space is paired with a co-living one, and can be viewed as an opportunistic move.

CML will monitor JustCo's co-living initiatives to determine if this is a one-off deal, or if the company continues to sign more deals in the co-living space.

#### **4.5 Risks to the Expansion**

JustCo's expansion plan carries significant risk. The doubling of the portfolio, over 3 years, into 4 markets that are new (including India which has high penetration and strong incumbents), using predominantly the higher-risk TL model, is a pace without precedent in the company's history. The Australia precedent — 82% occupancy, 13% market share, years of operation, with mature centres still loss-making — defines the downside case that some of these new markets may present.

JustCo's risk will multiply if there are major economic slowdowns in any of its markets, or there are unexpected execution or operating problems. All it takes is for occupancy rate to fall below the breakeven point, and losses can accumulate quickly.

## **5. PROFITABILITY METRICS AND 1H 2026 RESULTS**

### **5.1 Lease Accounting Rules**

JustCo is required to use accounting rule FRS 116, and this makes the conventional profit and cash flow metrics not relevant and/or confusing. Under such a rule, the present value of future lease obligations is recorded as a liability, and a corresponding right-of-use asset is recorded on the asset side of the balance sheet. Net profit is derived by charging depreciation on the right-of-use assets, plus a finance component which is based on some notional interest rate. They can be different from the actual lease cost paid to landlords. JustCo therefore prefers investors to focus on cash EBITDA, which uses cash lease payments instead of depreciation and finance cost.

Such an accounting rule also flatters JustCo's operating cash flows, which does not include these lease payments, a substantial cash outflow. The lease payments show up by another name in the financing cash flow section. Some companies provide operating cash flow after lease payments to present a more accurate picture of their business. JustCo does not do this. Please refer to **Appendix 4** for more details on lease accounting.

## 5.2 1H 2026 Performance

Cash EBITDA is the dominant profit metric used in 1H 2026's financials. Based on this, JustCo has done well. Revenue climbed 24.1% year on year to US\$80.8 million while cash EBITDA more than doubled year on year to US\$10.6 million.

While CML agrees that cash EBITDA sidesteps the confusing lease accounting quirks, it may create some distortions. Firstly, it does not capture capex spent on new centres, which is especially relevant for JustCo given its rapid expansion phase. Secondly, it makes tracking new centres' performance even more difficult. **Exhibit 4** below summarises the mature versus non-mature centres' performances in different markets. It appears that non-mature centres are profitable and boast even higher cash EBITDA margins than mature centres in the same markets. For example, North Asia's non-mature centres' cash EBITDA margin was 53.1% in 1H 2026, versus mature centres at 18.6%. This is contrary to the expectation that new centres will be loss-making as they ramp up occupancy rate. CML thinks that that could be due to rent-free period for new centres by tracking the percentage of cash lease payments to revenue. For example, despite having 8 new centres in 1H 2026 (versus 6 in 1H 2025), cash lease payments for non-mature centres in both Southeast Asia and North Asia in fact declined.

**Exhibit 4: JustCo's Cash EBITDA, Cash Lease Payments, and Profit by Region**

| (All Numbers in US\$ '000)        |         |            |        |         |            |        |                     |            |        |
|-----------------------------------|---------|------------|--------|---------|------------|--------|---------------------|------------|--------|
| Southeast Asia                    |         |            |        |         |            |        |                     |            |        |
|                                   | 1H 2026 |            |        | 1H 2025 |            |        | Year on Year Change |            |        |
|                                   | Mature  | Non-Mature | Total  | Mature  | Non-Mature | Total  | Mature              | Non-Mature | Total  |
| Revenue                           | 41,001  | 1,222      | 42,223 | 37,708  | 1,476      | 39,184 | 8.7%                | -17.2%     | 7.8%   |
| Cash Lease Payments               | 24,803  | 548        | 25,351 | 24,533  | 871        | 25,404 | 1.1%                | -37.1%     | -0.2%  |
| Cash Lease Payments to Revenue    | 60.5%   | 44.8%      |        | 65.1%   | 59.0%      |        |                     |            |        |
| Cash EBITDA                       | 6,880   | 209        | 7,089  | 2,943   | 336        | 3,279  | 133.8%              | -37.8%     | 116.2% |
| Cash EBITDA Margin                | 16.8%   | 17.1%      | 16.8%  | 7.8%    | 22.8%      | 8.4%   |                     |            |        |
| Profit/(Loss) Before IPO Expenses | 5,069   | -1,323     | 3,746  | 3,574   | 28         | 3,602  | 41.8%               | N/M        | 4.0%   |
|                                   |         |            |        |         |            |        |                     |            |        |
| North Asia                        |         |            |        |         |            |        |                     |            |        |
|                                   | 1H 2026 |            |        | 1H 2025 |            |        | Year on Year Change |            |        |
|                                   | Mature  | Non-Mature | Total  | Mature  | Non-Mature | Total  | Mature              | Non-Mature | Total  |
| Revenue                           | 25,999  | 1,076      | 27,075 | 14,795  | 469        | 15,264 | 75.7%               | 129.4%     | 77.4%  |
| Cash Lease Payments               | 14,285  | 208        | 14,493 | 8,999   | 353        | 9,352  | 58.7%               | -41.1%     | 55.0%  |
| Cash Lease Payments to Revenue    | 54.9%   | 19.3%      |        | 60.8%   | 75.3%      |        |                     |            |        |
| Cash EBITDA                       | 4,827   | 571        | 5,398  | 1,463   | -324       | 1,139  | 229.9%              | N/M        | 373.9% |
| Cash EBITDA Margin                | 18.6%   | 53.1%      | 19.9%  | 9.9%    | -69.1%     | 7.5%   |                     |            |        |
| Profit/(Loss) Before IPO Expenses | -1,089  | -1,147     | -2,236 | 1,133   | -1,404     | -271   | N.M                 | -18.3%     | 725.1% |
|                                   |         |            |        |         |            |        |                     |            |        |
| Australia                         |         |            |        |         |            |        |                     |            |        |
|                                   | 1H 2026 |            |        | 1H 2025 |            |        | Year on Year Change |            |        |
|                                   | Mature  | Non-Mature | Total  | Mature  | Non-Mature | Total  | Mature              | Non-Mature | Total  |
| Revenue                           | 10,882  | 0          | 10,882 | 9,461   | 664        | 10,125 | 15.0%               | N/M        | 7.5%   |
| Cash Lease Payments               | 8,886   | 0          | 8,886  | 7,651   | -309       | 7,342  | 16.1%               | N/M        | 21.0%  |
| Cash Lease Payments to Revenue    | 81.7%   | N/M        |        | 80.9%   | -46.5%     |        |                     |            |        |
| Cash EBITDA                       | -1,259  | 0          | -1,259 | -1,663  | 1,008      | -655   | -24.3%              | N/M        | 92.2%  |
| Cash EBITDA Margin                | -11.6%  | N/M        | -11.6% | -17.6%  | 151.8%     | -6.5%  |                     |            |        |
| Profit/(Loss) Before IPO Expenses | -595    | 0          | -595   | -867    | 109        | -758   | -31.4%              | N/M        | -21.5% |

Source: JustCo's Financial Statements and CML's Calculations

If rent-free period indeed distorts the performance of new centres, then the "strong" performance (based on cash EBITDA) in 1H 2026 should be discounted. A traditional profit

measure using accrual accounting principles will not create such distortion. JustCo should clarify this issue.

CML computed 2H 2025's revenue and cash EBITDA numbers using JustCo's disclosed 1H 2025 segment report. We then compared 2H 2025's numbers against 1H 2026 to get a better sense of how JustCo is performing. As JustCo's business is non-seasonal and the company is undertaking rapid expansion, comparing the half-on-half numbers can shed further light on how JustCo's overall portfolio and various regions are performing over time. Please refer to **Exhibit 5** for the details.

**Exhibit 5: JustCo's Half-on-Half Financial Performance**

| (All Numbers in US\$ '000) | Revenue       |               | Half on Half | Cash EBITDA   |              | Half on Half |
|----------------------------|---------------|---------------|--------------|---------------|--------------|--------------|
|                            | 1H 2026       | 2H 2025       | % Change     | 1H 2026       | 2H 2025      | % Change     |
|                            |               |               |              |               |              |              |
| Southeast Asia             | 42,223        | 41,879        | 0.8%         | 7,089         | 5,466        | 29.7%        |
| North Asia                 | 27,075        | 26,171        | 3.5%         | 5,398         | 2,782        | 94.0%        |
| Australia                  | 10,882        | 10,720        | 1.5%         | -1,259        | 723          | N/M          |
| India                      | 269           | 0             | N/M          | -967          | 0            | N/M          |
| Others                     | 331           | 312           | 6.1%         | 293           | 261          | 12.3%        |
|                            |               |               |              |               |              |              |
| <b>Total</b>               | <b>80,780</b> | <b>79,082</b> | <b>2.1%</b>  | <b>10,554</b> | <b>9,232</b> | <b>14.3%</b> |
|                            |               |               |              |               |              |              |

Source: JustCo's Financial Statements and CML's Calculations

Revenue for all regions showed steady growth, while stable or increasing occupancy rates contributed to higher cash EBITDA from a larger number of mature centres. This demonstrates that the high operating leverage business model is working in a positive direction. As discussed earlier, it is likely that non-mature centres' cash EBITDA are distorted by rent-free period.

Australia remains a thorn in JustCo's side, with cash EBITDA turning negative in 1H 2026 despite posting a positive cash EBITDA in 2H 2025. Puzzlingly, despite revenue increasing in Australia by 1.5% half on half, cash EBITDA turned negative. Without further information on occupancy rates by region, CML cannot conclude whether the weaker performance was due to a pricing, or occupancy issue.

## 6. DIVIDEND POLICY

JustCo announced in August 2026 a dividend policy which aims to pay out 50% of its profit. The company is targeting a 4% to 5% dividend yield, in line with its peer Servcorp in Australia. This is a surprise to some analysts and CML, who expected JustCo to conserve cash to fund its rapid expansion. Based on CML's calculation, this dividend will amount to US\$7.49 million to US\$9.36 million.

Working backward with a 50% payout ratio, it means an inadvertent profit guidance of US\$15 million to US\$18.7 million for FY2027. Please see **Appendix 5** for the calculation. CML notes that the Company generated a net profit of just US\$2.7 million in 2025, while 1H 2026 saw a minor net loss of US\$839,000. We will be tracking profit growth for 2027.

## 7. CORPORATE GOVERNANCE

### 7.1 Disclosures Can Be Better

JustCo is a newly-listed company and may still be calibrating its financial disclosures. Throughout this report, we have highlighted how the lack of data results in more questions than answers on many important metrics. While CML acknowledges the practical difficulties of disclosing massive granular data, JustCo should find a way to help investors understand its business.

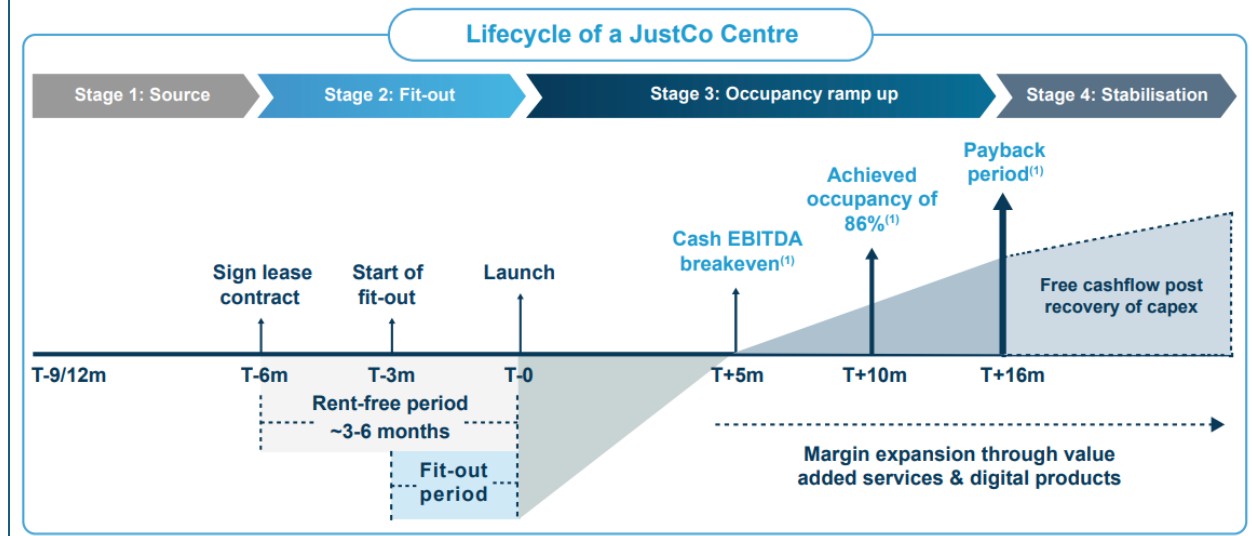
Key metrics that are missing or not well-explained:

- i. Breakeven occupancy is a critical metric in flex office because of its high operating leverage nature. Such a metric is not mentioned in the prospectus. The financial disclosures do not contain sufficient details for more analysis. Please see **section 2.1**. A range (instead of a specific number) can be provided to reflect the different region/country dynamics.
- ii. Payback analysis leaves more questions than answers, as elaborated in **section 2.6**. It matters because confidence in JustCo's expansion hinges on its unit economics. The ramp-up and payback are important metrics.

Overall, we find some of JustCo's presentation unclear. The lifecycle of a JustCo centre, reproduced in **Exhibit 6** below, is a case in point.

**Exhibit 6: Lifecycle of a JustCo Centre**

Achieved Cash EBITDA breakeven<sup>9</sup> in approximately 5 months on average and an overall payback period of approximately 15.8 to 24.0 months<sup>10</sup> on average from a Centre's launch



Source: JustCo's Prospectus Page 34, including footnotes

This chart has been reproduced and relied on in the analyst reports to argue that new centres can make money quickly. CML disagrees with this narrative at three levels.

Firstly, there is no data to support the assertion of cash EBITDA breakeven in 5 months and achievement of 85% occupancy rate in 10 months.

Secondly, the payback period (labelled as 16 months) is only true for 75% of centres over a 4-year period. As many as 25% of centres did not achieve payback even after operating for as long as 4 years. The 16-month payback claim is also skewed by the MC model. As we noted in **section 2.6**, there are unanswered questions around this metric. Therefore, it is not representative of past track record.

Thirdly, even if these metrics were true historically, they may not be representative given the rapid growth plan in many new markets. As discussed in **section 2.2**, different markets can have very different economics. The lack of prior experience in 4 new markets could compound the risk of getting some of these new centres wrong.

JustCo should have proactively asked investors and analysts to avoid over-relying on such data.

## **7.2 Management and Board Issues**

There are four issues here. Firstly, the founder (Kong Wan Sing) holds both the executive chairman and CEO roles. The best corporate governance practice is to separate these 2 roles. As a recently-listed company, JustCo should have set a positive example by separating the two roles.

Secondly, questions have been raised about the independence of 2 of JustCo's directors given their association with GIC, a significant shareholder. JustCo's prospectus provided justifications as to why one of them should be deemed independent, relying on the argument that he is a non-executive board member of GIC. The other director retired from GIC more than 2 years ago. While this is in compliance with Singapore's Code of Corporate Governance in letter, CML is of the view that this is a close call and JustCo could do better. *JustCo's CEO told CML that he personally invested in ensuring the Board had members who could provide value-add and was convinced that the two directors would be fully independent in acts and deeds. As a practical consideration, JustCo argues that its market capitalisation is a tiny proportion of GIC's assets under management. It asserts that this should temper the 2 directors' incentive to act on GIC's shareholders' interests versus their fiduciary duty and independence.*

Thirdly, the nominating committee that determined directors' independence is chaired by the GIC director, although he recused from the decision concerning his independence. Ideally, nominating committee members who are assessing each director's independence should themselves be clearly independent in fact and perception. It left the chairman/CEO more say on this issue as one of the 2 remaining nominating committee members.

Fourthly, JustCo allows the non-executive directors to participate in its share-based incentive plans when this practice is discouraged in many major markets. They should just receive directors' fees in cash.

## **8. CONCLUSION**

As a newly-listed company with a business model which is not yet well-understood, it is not surprising that comparison with WeWork persists. CML attempts to better understand the business at a unit economics level but the lack of data hampered its efforts. The practical constraints of providing massive granular data are real, but JustCo needs to find a way to bridge this information gap.

Mr Kong, who is the founder, chairman and CEO, took pains to emphasize to CML his commitment to JustCo. He has not sold any shares in the IPO and has no intention to do so, focusing on growing JustCo. Investors will have to decide to trust that alignment of interest will result in a strong execution of the expansion plan. Investors also have to believe that the market conditions are conducive, because this is when a business model with high operating leverage can do very well. CML is of the view that serious investors would find such reliance unsatisfactory.

# APPENDIX

## Appendix 1 The WeWork Story

In January 2019, a Softbank investment valued WeWork at US\$47 billion. Nine months later, the proposed IPO valuation had fallen toward US\$10 billion, and SoftBank ultimately marked WeWork's equity at US\$7.8 billion. WeWork filed for Chapter 11 in November 2023. This article sets out how WeWork won legitimacy, why its economics never scaled, what the expansion got wrong, and what an investor should test before backing a similar business.

### **How WeWork gained legitimacy**

WeWork's valuation was built on the reputations of its investors to a large extent. The company opened its first location in SoHo in 2010 with a simple model: sign a long lease, divide the floors into small offices and shared desks, add design and community, and rent the space in short increments at a premium. In 2012, Benchmark Capital, a top US venture firm behind eBay and later Uber, led its Series A and put a partner on the board. Benchmark's endorsement helped reinforce the perception that WeWork should be evaluated as a technology-enabled growth company rather than primarily as a conventional office landlord, and every later investor took the cue. From 2017 SoftBank and its US\$100 billion Vision Fund committed more than US\$10 billion and pressed WeWork founder Adam Neumann to grow faster.

That legitimacy kept the critics at bay for four years. The context helped: a decade of near-zero interest rates, and Uber and Airbnb showing that a "platform" wrapped around an old industry could command a technology multiple. Once Benchmark and SoftBank had priced WeWork as software, sceptics were arguing against two of the most reputable investors in the world. Neumann told Forbes in 2017 that the valuation rested more on "energy and spirituality" than on revenue multiples, and in that market, this passed for vision.

The critics were right and ignored. WeWork had a classic duration mismatch: it committed to long-term leases while selling customers much shorter-term occupancy commitments. As early as 2015, analysts pointed out WeWork's tenor mismatch: leases of 10 to 15 years against memberships cancellable monthly. Regus had already demonstrated the risks of the model when its UK operating business entered administration in 2003. In 2018, WeWork introduced 'Community Adjusted EBITDA', a non-GAAP measure that excluded a substantial portion of the costs required to operate the business, including rent-related expenses, and the financial press mocked it openly. The scepticism did not matter thanks to SoftBank's support, round after round.

### **Why the scale effect never arrived**

Despite the attractive unit economics WeWork claimed for mature locations, rapid expansion meant that consolidated losses remained enormous relative to revenue. The bull case rested on real economics. A co-working centre's rent is the same whether the floor is empty or full, so once

occupancy passes break-even each extra member is almost pure margin. WeWork reported mature-building margins above 25%, but these were location-level margins and did not capture the corporate overhead, growth costs and financing burden borne by the consolidated company. In 2018, the company lost US\$1.9 billion on US\$1.8 billion of revenue, and in the first half of 2019 it lost US\$900 million on US\$1.5 billion.

The first reason is that the fixed cost is fixed per building, not per company. Rent does not fall per desk as the company adds centres. Each new location starts its own clock at zero occupancy, with free-rent periods and discounted memberships to fill it. As long as WeWork opened faster than old locations matured, the immature majority swamped the mature minority. As of June 1, 2019, only 30% of WeWork's locations qualified as mature under its own definition of being open for more than 24 months.

The second reason is that mature-centre margins were flattered by landlord concessions. Landlords provided rent-free periods and tenant-improvement allowances, reducing WeWork's initial cash burden and helping make new locations cheaper to launch. But these concessions did not eliminate the underlying long-term lease obligation. WeWork was willing to pay aggressively for space in prime buildings, so its rent per square foot left little wiggle room when competition pushed membership prices down.

The third reason is that head office grew as fast as the buildings. Headcount went from about 6,000 in 2018 to more than 12,000 by mid-2019. Corporate overhead was another area where scale should eventually have produced operating leverage, yet WeWork was increasing headcount rapidly as the network expanded. The result was a company in which every unit was, on paper, a good business, and the whole was a bad one.

### **What the expansion got wrong**

The financial problem was primarily in the core leasing business; the side ventures added to the governance and credibility problems but were not the main source of the company's lease exposure. The company had about 23 locations in 2014, roughly 200 at the end of 2017, and 528 in 29 countries. By mid-2019, WeWork had accumulated approximately US\$47 billion of future lease commitments. It is tempting to blame WeLive, the co-living venture; WeGrow, a private school; the gym, the coding bootcamp, the US\$63 million jet. These were real signs of lost discipline and they damaged credibility. But financially, they were small. WeLive never opened more than two buildings; WeGrow had one school.

Four execution errors in the core business did the damage. WeWork signed leases at the top of the cycle in 2017 and 2018, when office rents in many major markets were near cyclical highs. It overbuilt the same cities, so new locations competed with old ones for the same members. Consolidated physical occupancy was around 80% in early 2019, materially below the roughly 89% occupancy WeWork reported for mature locations. It spent too much per desk, with fit-out spending in the billions each year on top of landlord contributions, while enterprise clients

courted for stability negotiated deep discounts. And it counted on continued funding from key investors. When SoftBank scaled back its previously discussed US\$16 billion investment in late 2018 amid market turmoil and concerns among Vision Fund investors, WeWork's financing assumptions were materially weakened.

The unwinding was fast. The proposed valuation fell from US\$47 billion to US\$10 billion within weeks. Neumann resigned on September 24, the IPO was withdrawn on September 30, and on October 22, SoftBank agreed to take control in a transaction valuing WeWork's equity at roughly US\$8 billion. The pandemic transformed an already serious lease-duration mismatch into an existential liquidity problem. WeWork went public through a SPAC merger with BowX in October 2021, at an implied initial enterprise value of approximately US\$9 billion. Its valuation subsequently collapsed by more than 98% from its 2019 peak, and WeWork filed for Chapter 11 bankruptcy in November 2023. It emerged in June 2024 under the ownership of Yardi's investment subsidiary, Cupar Grimmond, with around US\$4 billion of debt eliminated or restructured and rejecting or exiting roughly 150 leases. SoftBank and the Vision Fund ultimately committed more than US\$14 billion to WeWork, while recognising multi-billion-dollar losses on the investment.

### **The imitators**

The companies that copied WeWork's financing copied its ending; the ones that copied only its product survived. Knotel, valued at about US\$1.6 billion in August 2019 on a similar lease-heavy model, filed for Chapter 11 in January 2021; Newmark subsequently acquired its business through a US\$70 million credit bid. Ucommune, marketed as 'China's WeWork' and valued at approximately US\$3 billion in 2018, subsequently entered the public market at a fraction of that private-market valuation. Kr Space in Beijing began defaulting on leases in 2019, and The Wing, in which WeWork itself invested, closed in 2022. By contrast, Industrious ran the same product on management agreements with landlords rather than leases, and CBRE acquired the remaining stake in January 2025 at an implied enterprise value of approximately US\$800 million, while The Executive Centre in Hong Kong grew from its own cash flow and stayed profitable through the cycle. India's rapidly expanding flexible-office operators, including listed companies such as Awfis, Smartworks and IndiQube, alongside WeWork India, are now testing the same question on public markets, with the more leveraged names trading below their issue prices.

**Appendix 2 JustCo's SWOT Analysis**

| STRENGTHS                                                                                                                                                                                                            | WEAKNESSES                                                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| JustCo enjoys strong brand recognition and is a leading player in the co-working space. Such recognition will enable the business to attract quality tenants and make landlords more amenable to working with JustCo | No pricing power as prices are market-determined and geography-dependent. Competition in various territories may also limit the prices that JustCo can charge. Landlords include lease escalation clauses within their tenancy agreements, which means JustCo is subject to higher costs with no guarantee of being able to earn a decent spread |
| A multi-brand portfolio comprising "The Collective" (premium), "JustCo" (mass market), and "the boring office" (budget), allowing JustCo to capture a wide segment of customers                                      | Duration mismatch: JustCo locks in long tenancy contracts with landlords but has limited revenue visibility beyond its average member tenure of 15.2 months                                                                                                                                                                                      |
|                                                                                                                                                                                                                      | Fixed cost versus flexible revenue: JustCo operates with a high layer of fixed costs. Operating leverage cuts both ways - JustCo enjoys healthy profitability when times are good, but is unable to reduce costs during tough times                                                                                                              |
|                                                                                                                                                                                                                      | Running to stand still - With an average member tenure of 15.2 months, JustCo needs to constantly spend on marketing to retain members and ensure occupancy rate stays high                                                                                                                                                                      |
| OPPORTUNITIES                                                                                                                                                                                                        | THREATS                                                                                                                                                                                                                                                                                                                                          |
| Flexible-office penetration remains low in most countries that JustCo is targeting, offering potential upside to occupancy rates                                                                                     | Strong competition from established players in markets such as India (WeWork India and Awfis). Incumbents have a first-mover advantage and are entrenched, making it tougher for newcomers to establish a foothold                                                                                                                               |
| JustCo is targeting to open centres in new territories such as Malaysia, India, Hong Kong, and the Philippines, opening up more revenue streams and helping to diversify their revenue sources                       | Intense competition also reduces the spread that JustCo earns as pricing comes under pressure                                                                                                                                                                                                                                                    |
| High demand for flexi-office solutions in multiple cities for large corporates, providing JustCo with good opportunities to offer its co-working solutions                                                           | As clients grow larger, they may choose a more permanent work space rather than select flexible work solutions, resulting in member attrition                                                                                                                                                                                                    |

### Appendix 3 JustCo's Breakeven Computation

The table below shows the breakeven analysis for JustCo after factoring fixed expenses.

**JustCo – Breakeven Computation**

|                                          |                    |                  |
|------------------------------------------|--------------------|------------------|
| Workstations (as of 31 December 2025)    | 35,067             | (D)              |
| Revenue per Workstation Per Month (US\$) | 450.7              |                  |
| Revenue per Workstation Per Year (US\$)  | 5,408              | (A)              |
|                                          |                    |                  |
| Cash Lease Payments (US\$) [2025]        | 92,175,000         |                  |
| Other Operating Expenses (US\$) [2025]*  | 39,856,000         |                  |
| <b>Total Fixed Costs (US\$) [2025]</b>   | <b>132,031,000</b> | <b>(B)</b>       |
|                                          |                    |                  |
| Workstations Needed for Breakeven        | 24,412             | (C) = (B) / (A)  |
| <b>Breakeven Occupancy Rate</b>          | <b>69.6%</b>       | <b>(C) / (D)</b> |

\*Excludes variable and short-term lease payments

Source: JustCo's Prospectus Pages 36, 47, 98, 103 and 107

## Appendix 4 FRS 116 – Lease Accounting Example

JustCo's business involves signing long-term numerous leases with its landlords. Here is an introduction to lease accounting under Financial Reporting Standard (FRS) 116 and how the entries flow.

Readers should note that when a lease is signed between the landlord (lessor) and the tenant (lessee – JustCo in this case), the Company is required to book both an asset (right-of-use or ROU asset) and a liability (i.e. lease liability). After the first year, the ROU asset is then depreciated based on the tenure of the lease, while the lease liability is reduced using the following formula: lease liability + interest expense – cash lease payments. The interest expense is computed as the interest cost of the lease liability, and the interest rate used is the borrowing rate for the organisation.

A simple example below illustrates how these entries are booked. The scenario involves a 15-year lease with S\$300,000 annual lease payments. The borrowing rate is 3%.

| <b>Scenario: S\$300,000 annual lease payments over 15 years at 3% interest rate</b> |                |                |           |                              |
|-------------------------------------------------------------------------------------|----------------|----------------|-----------|------------------------------|
| Recognition                                                                         | Dr             | Cr             | Balance   | Formula                      |
|                                                                                     | S\$            | S\$            | S\$       |                              |
| Right-of-Use Asset                                                                  | 3,580,000      |                |           | =PV(3%,15,300000)            |
| Lease Liability                                                                     |                | 3,580,000      |           |                              |
| <b>1st Year</b>                                                                     |                |                |           |                              |
| Depreciation Expense                                                                | 238,667        |                |           | ROU Asset / 15               |
| <b>Accumulated Depreciation (ROU Asset)</b>                                         |                | <b>238,667</b> | 3,341,333 | ROU Asset NBV                |
| Interest Expense (B)                                                                | 107,400        |                |           | 3% x Lease Liability Balance |
| <b>Lease Liability (D)</b>                                                          | <b>192,600</b> |                | 3,387,400 | Lease Liability Balance      |
| Cash at Bank (F)                                                                    |                | 300,000        |           | Payment to Landlord          |
| <b>2nd Year</b>                                                                     |                |                |           |                              |
| Depreciation Expense                                                                | 238,667        |                |           | ROU Asset / 15               |
| <b>Accumulated Depreciation (ROU Asset)</b>                                         |                | <b>238,667</b> | 3,102,667 | ROU Asset NBV                |
| Interest Expense (B)                                                                | 101,622        |                |           | 3% x Lease Liability Balance |
| <b>Lease Liability (D)</b>                                                          | <b>198,378</b> |                | 3,189,022 | Lease Liability Balance      |
| Cash at Bank (F)                                                                    |                | 300,000        |           | Payment to Landlord          |

Note that the interest expense for the first year is computed based on the interest rate (3%) multiplied by the original lease liability (S\$3.58 million). The reduction in the lease liability is the difference between the cash lease payment (of S\$300,000) and the interest expense. The depreciation expense of S\$238,667 remains constant throughout the tenure of the lease.

Hence, the Income Statement will see two expenses booked – the depreciation expense on the ROU asset, and the interest expense on the lease liability. Readers should note, however, that these 2 expenses are non-cash in nature. The cash outflow occurs when the Company pays its annual rent of S\$300,000.

As interest expense is front-loaded, it will naturally be higher in initial years, and will start to reduce and taper off in later years. This can be seen in the lease liability amortisation table below.

|                    | Lease Liability | Interest Exp | Reduction           | Lease Liability | Depreciation | Int + Dep |
|--------------------|-----------------|--------------|---------------------|-----------------|--------------|-----------|
| Year               | (Start)         |              | (Int Exp - S\$300K) | (End)           |              |           |
|                    | S\$             | S\$          | S\$                 | S\$             | S\$          | S\$       |
| <b>Recognition</b> | 3,580,000       |              |                     | 3,580,000       |              |           |
| <b>Year 1</b>      | 3,580,000       | 107,400      | -192,600            | 3,387,400       | 238,667      | 346,067   |
| <b>Year 2</b>      | 3,387,400       | 101,622      | -198,378            | 3,189,022       | 238,667      | 340,289   |
| <b>Year 3</b>      | 3,189,022       | 95,671       | -204,329            | 2,984,693       | 238,667      | 334,337   |
| <b>Year 4</b>      | 2,984,693       | 89,541       | -210,459            | 2,774,233       | 238,667      | 328,207   |
| <b>Year 5</b>      | 2,774,233       | 83,227       | -216,773            | 2,557,460       | 238,667      | 321,894   |
| <b>Year 6</b>      | 2,557,460       | 76,724       | -223,276            | 2,334,184       | 238,667      | 315,390   |
| <b>Year 7</b>      | 2,334,184       | 70,026       | -229,974            | 2,104,210       | 238,667      | 308,692   |
| <b>Year 8</b>      | 2,104,210       | 63,126       | -236,874            | 1,867,336       | 238,667      | 301,793   |
| <b>Year 9</b>      | 1,867,336       | 56,020       | -243,980            | 1,623,356       | 238,667      | 294,687   |
| <b>Year 10</b>     | 1,623,356       | 48,701       | -251,299            | 1,372,057       | 238,667      | 287,367   |

The total of depreciation and interest expenses will be higher than the cash lease payments made by the business in the initial years. Only by Year 8 does the total expense (i.e. S\$301,793) closely approximate the cash lease payments made (of S\$300,000). From Year 9 onwards, the cash lease payments will exceed the total of both expenses.

**Appendix 5 Dividend and Net Profit Calculation**

| <b>Calculation of Dividend Payment and Required Net Profit</b> |              |              |
|----------------------------------------------------------------|--------------|--------------|
| Share Price (SGD) (29 September 2026)                          | 0.490        | 0.490        |
| Target Yield                                                   | 4%           | 5%           |
| Dividend Per Share (SGD)                                       | 0.0196       | 0.0245       |
| Issued Share Cap (30 June 2026)                                | 489.2        | 489.2        |
| Total Dividend Payout (SGD Mil)                                | 9.6          | 12.0         |
| <b>Total Dividend Payout (USD Mil)</b>                         | <b>7.49</b>  | <b>9.36</b>  |
|                                                                |              |              |
| Assuming 50% payout ratio                                      | 50%          | 50%          |
| <b>Required Net Profit (USD Mil)</b>                           | <b>14.98</b> | <b>18.73</b> |
|                                                                |              |              |
| <b>Note:</b> USD-SGD Exchange Rate is 1.28                     |              |              |
|                                                                |              |              |