

honestbee eyes co-working play, beefs up management team

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HONESTBEE may be in the thick of rebuilding its fallen house, but it is also eyeing a real estate play. The startup plans to sub-lease about half of its Delta House office space for co-working, pending approval from its landlord.

In a recent interview with The Business Times, honestbee chief executive Ong Lay Ann said that the co-working space, called b. at Delta, would be able to seat up to 100 tenants. It would comprise hot desks, dedicated desks and a private office. The target market is other startups.

It is still early days, with the startup ironing out pricing plans. An honestbee spokesman declined to comment on whether its existing lease allows sub-leasing, and what the remaining tenure of the lease and exact floor area are, citing confidential agreements.

"We have no plans to be a WeWork," Mr Ong added. "We are not going to lease another 10 properties and go into that business. I'm just trying to utilise existing resources we have and make those resources work a little harder."

Mr Ong said that honestbee, which is now restructuring over US\$209 million worth of debt, plans to keep its Delta House office for the long haul, which is why it is prepared to sub-lease the space.

BT understands from previous filings that honestbee spends about S\$125,000 in rentals monthly. Its leased properties include its office space as well as its habitat supermarket at Boon Leat Terrace.

When asked if leasing space out to startups carries a higher risk of default, Mr Ong responded: "The risk is higher but the actual quantum is small, in terms of the exposure. We are paying for the rent (of the whole office) anyway."

honestbee is currently burning about US\$1 million to US\$1.5 million monthly, Mr Ong estimated. "We've managed to bring the cost base down, and we're still looking to bring it down further," he said.

Classic strategy

If honestbee's co-working plans take off, it could provide some relief for the cash-strapped startup in the near term, said Reshmi Khurana, managing director and head of South-east Asia at risk consultancy Kroll.

"It sounds like a classic strategy to try and monetise the existing assets, to try and go over the existing cash crunch... But in the long term, prospective investors and other creditors are not going to see this as a long-term solution; (honestbee) is not in the real estate business," she said.

honestbee's move to make an existing asset work harder suggests difficulties in generating cash from its existing business, said Lawrence Loh, associate professor at the National University of Singapore Business School.

"It's indicative that honestbee is probably facing certain limits in their core business of food and grocery delivery and habitat... I think them going into co-working makes sense; this space has no big barriers to entry," he said, adding that the risks appear limited since this only involves an existing property.

Beefing up the ranks

Beyond money-making opportunities, honestbee is also strengthening its leadership. On Friday, it promoted chief of staff Varian Lim, a long-time employee, to be its new chief operating officer (COO).

Lim Yiak Tiam, who was appointed interim chief financial officer in September, is now the startup's vice-president of finance. The chartered accountant previously worked as a finance director at advertising agencies.

honestbee has also appointed an interim general counsel, Sharon Ong, who was previously in-house legal counsel at Pacific Carriers, a unit of the Kuok Group.

In the next month, honestbee will also add a new director to its board, Mr Ong told BT.

Existing board members include Mr Ong and two US-based individuals, Richard Tai and Samuel Asher.

When asked if Mr Tai and Mr Asher are related to former honestbee chairman Brian Koo, Mr Ong said that they are known to Mr Koo but are not his nominees. Mr Koo is a key financial creditor of honestbee, having invested personally and via his venture firm Formation Group.

As honestbee dips its toes into other verticals like co-working, its leadership team will have to stay robust, Ms Khurana of Kroll said. "With this real estate (move), having proper governance and a strong finance function should be a high priority," she said.

For his part, Mr Ong is keeping busy with ironing out specifics of honestbee's plans to convert all of its debt to equity, such as the conversion ratio. He also still has to deal with its debt overseas. Given the varying legal regimes abroad, this will likely "require bespoke solutions", which the startup is now exploring, said David Chew, partner at DHC Capital, honestbee's financial advisor.

honestbee will next need to present details of its scheme by end-January 2020, which its unsecured creditors - numbering about 1,800 - will subsequently vote on.