How Cotton Can Fund New Venues.

Summary

Cotton grows in two phases, and they are funded differently.

Phase 1 - Fix the base. The €2.6M investment is used in two parts.

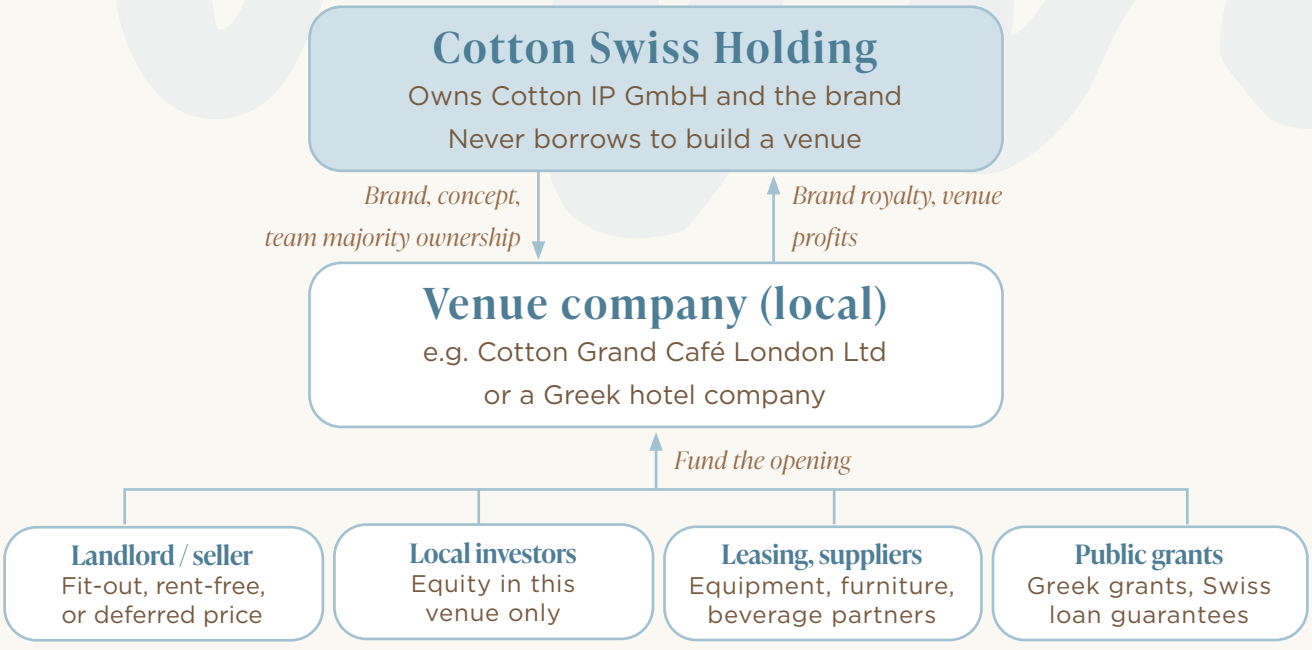
- **€1.4M releases the land.** One partner lent money to the company, secured with a charge on the Cala Tarida land, and received shares without investing equity. Repaying him lifts the charge and ends his shareholding. The land was bought for €560,000 and is now valued at €2,644,044, so this step frees an unencumbered asset worth more than the entire €2.6M investment.
- **€1.2M prepares Ibiza.** It cleans up remaining debts and gets Cotton Beach Club Ibiza ready for the 2027 season. Ibiza is the cash engine and the proof of the brand.

Phase 2 - Grow venue by venue. New openings are not paid for by Cotton Swiss Holding and any bank debt sits in the venue company, never in the Holding. Each venue is its own local company, funded by the people who benefit most from it being there: landlords, sellers, local investors, suppliers and, in Greece and Switzerland, state-backed schemes. Cotton owns and runs each venue with its own team.

The model: brand at the top, capital at the venue

Each new venue is a separate local company. The Holding never takes on the build cost or the bank debt.

The Holding brings the brand; the capital is raised at the venue



Cotton growth model · holding, venue company, four funding sources

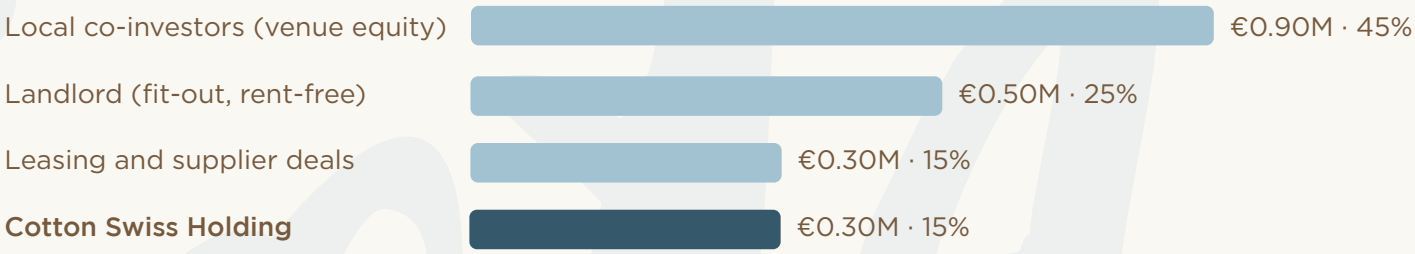
The mix of funding sources changes by market. In London, landlords and local investors carry most of it. In Greece, the seller and the state do.

All three examples in this document are Cotton's own operations. Growth with third-party owners under the Cotton Management Franchise Agreement is a separate model, described in its own document.

Example 1: Cotton Grand Café London

Since Brexit and Covid, London landlords offer strong terms to brands that bring footfall. That makes the landlord a key funder of the opening.

Cotton Holding funds 15% of a London opening
Illustrative funding of a €2.00M Cotton Grand Café London



Illustrative figures · to be replaced with the London project budget

Local co-investors own equity in the London company only. UK investors in restaurant companies may also benefit from EIS tax relief, which a UK advisor will confirm. Cotton keeps majority ownership and control in return for the brand, concept and operation, and runs the venue with its own team.

London prediction

A €2M Cotton Grand Café is projected to pay back its full cost in about three years. These are preliminary assumptions, to be replaced by a full budget built on the Ibiza framework.

	Year 1	Year 2	Year 3
Revenue	€3.5M	€4.2M	€4.4M
EBITDA margin	12%	17%	18%
EBITDA	€0.42M	€0.71M	€0.79M
Cumulative EBITDA	€0.42M	€1.13M	€1.92M

Assumptions: about 120 seats, open all day 360 days a year, around 350 covers a day at an average spend of €35 once mature (80% of that in Year 1). Food and beverage cost 28% of revenue, staff 32%, rent 10%, other running costs 12%.

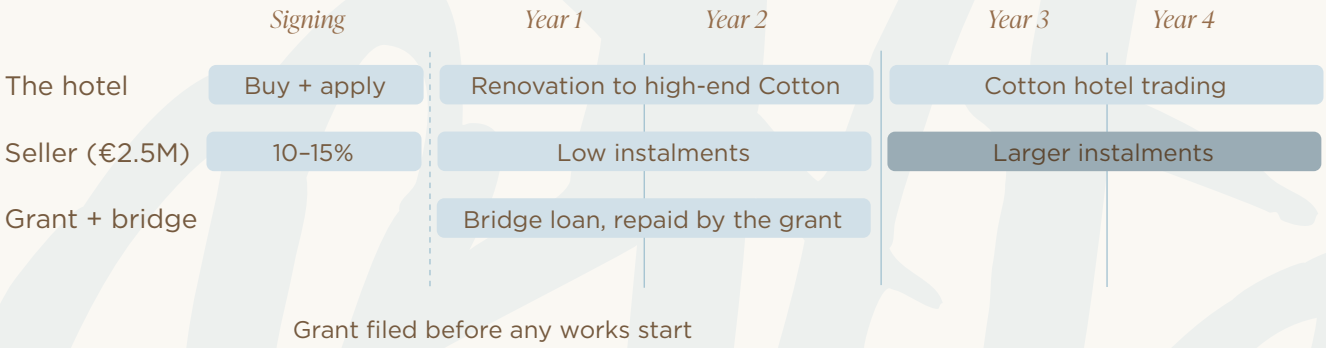
Example 2: Zakynthos North hotel

The seller finances the building and the Greek state finances most of the rebuild. Greek banks lend little to new hotel projects, so this deal is built around two other sources.

- **The building.** The asking price of €2.5M is paid to the seller over four years. The buyer is a Greek company owned by Cotton Swiss Holding, so Cotton owns both the freehold and the operation. Title transfers at signing, with the seller secured by a mortgage, so the company can apply for the grant.
- **The rebuild.** Greece's Development Law 4887/2022 supports the establishment, expansion and modernisation of tourist accommodation. Support can reach up to 75%, depending on location and company size. Repositioning an existing hotel into a high-end Cotton house fits this purpose.
- **The gap.** The grant is paid against certified works, so a bridge loan covers the construction period. It is only drawn once the grant is approved.

Total capital is about €4.5M: the €2.5M purchase price and the €2.0M refurbishment. The seller and the grant carry most of it. Cotton's own cash is limited to the down payment, the share of the refurbishment the grant does not cover, and working capital, part of which is pre-funded by membership fees collected in spring.

The seller is paid mostly once the hotel is trading
Zakynthos North, illustrative timing over the 4-year payment plan



Zakynthos North · illustrative 4-year funding timeline

Cotton already trades in the south of Zakynthos, so a local team and supplier base are in place from day one.

Zakynthos North in numbers

One season at full operation is projected to earn €1.7M of gross operating profit on a €2.0M refurbishment.

	Base case
Rooms	36 keys, reconfigured from the existing bungalows
Refurbishment, incl. 24% VAT	€2.0M
Season revenue, May to October	€4.49M
Operating costs, incl. 58 staff	€2.79M
Gross operating profit	€1.70M (38%)

The key assumption is an average August rate of €550, below what the island's leading five-star resort already achieves in peak. Full concept and season budget: see Data Room.

Example 3: Cotton St. Moritz

Switzerland is the one market where a bank loan is a realistic part of the stack, because money is cheap and the state helps small companies borrow. The Swiss National Bank held its policy rate at 0% on 24 September 2026.

A Swiss bank will not lend much against a rented winter venue with no Swiss trading history. The solution is a federal guarantee:

- **The guarantee.** Federally supported guarantee cooperatives stand behind bank loans to Swiss SMEs of up to CHF 1M, and the Confederation covers up to 65% of their loss risk. This makes a low-rate loan from a Swiss bank, such as Graubündner Kantonalbank, realistic.
- **The borrower.** A Swiss venue company, Cotton Mountain Lodge, owned by Cotton Swiss Holding. The loan stays in that company and does not burden the Holding or Ibiza.
- **One loan funds the opening.** St. Moritz venues are in excellent condition and need little refurbishment. CapEx is around CHF 400,000, so a guaranteed loan of up to CHF 1M covers the full opening: refurbishment, rent deposit, pre-opening costs and first-season working capital. No co-investors are needed, and the venue stays 100% owned by the Holding.
- **The rooms open a second door.** The Swiss Society for Hotel Credit (SGH) lends at particularly low rates to accommodation businesses in seasonal tourist regions. With ten rooms planned, the room conversion in season two can apply.

Markets expect Swiss rates to rise in 2027, so any loan should be taken at a fixed rate.

Cotton Mountain Lodge in numbers

The venue will be either an existing St. Moritz establishment or a rented barn, in both cases leased in good condition. The numbers are the same either way: a 150-seat restaurant and terrace with ten rooms, CapEx of around CHF 400,000 funded by the CHF 1M guaranteed loan, and about CHF 10M of indicative annual revenue. These are working assumptions, to be validated on a specific site.

Revenue line	Basis	Indicative annual
Restaurant, dinner	150 covers, CHF 180 average	CHF 4.1M
Restaurant, lunch	150 covers, CHF 130 average	CHF 2.9M
Rooms	10 rooms, CHF 550 rate, 60% occupancy	CHF 1.2M
Events and buyouts	15–20 nights, CHF 50,000 minimum	CHF 0.8M
Bar and après	5–7pm, champagne-led	CHF 0.5M
Membership	150 members, annual fee	CHF 0.5M

The restaurant and terrace open first. The rooms follow in season two, funded from season-one cash flow and membership. Full concept document: see Data Room.

What this means for shareholders

Every new venue adds value to the Holding without the Holding carrying its full cost.

- **Cotton's own venues.** Each venue is owned and run by Cotton through its local company, with Cotton's own team. Where local co-investors are used, they hold minority stakes in that venue only.
- **Limited risk.** Each venue is ring-fenced in its own company, and any debt stays at venue level, never in the Holding.
- **Recurring income.** Each venue pays a brand royalty to Cotton IP GmbH, and its profits flow up to the Holding.
- **Direct access to deals.** As a shareholder, George has a right of first refusal to co-invest directly in each new venue, on top of his stake in the Holding.

Key risks and how we manage them

Risk	How we manage it
A venue underperforms	It is ring-fenced in its own company; its debts never reach the Holding or the other venues
Greek grant is delayed or reduced	Seller payments are back-loaded; a bridge loan is only drawn against an approved grant
Cotton loses its "small enterprise" status for the grant	A Greek advisor confirms eligibility before we sign the purchase
Works started too early void the grant	No works begin before the grant application is filed
Partners dilute the brand	Cotton keeps majority ownership and runs every venue with its own team
Swiss interest rates rise	The St. Moritz loan is taken at a fixed rate

Figures in the examples are illustrative and will be replaced with each project's own budget before any commitment.

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