CLEARWAY CAPITAL

A Review of GZO's Plan

Creditor Presentation - November 2024

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GZO's plan assumes that the hospital is worthless

On October 25th, GZO proposed a haircut for creditors of 65% to 70% implying a total payout of CHF 74 million to CHF 86 million

- GZO currently has CHF 91 million in cash on its balance sheet, or ~37% of the amount due to creditors – *higher than the proposed recovery value*
- This implies that the remaining assets within the company do not have any value

Cash on Balance Sheet

~CHF 91 million

The company intends to pay out between 81% and 95% of the company's CHF 91 million of cash on hand

Operating business generating CHF 99 million revenue and CHF 4 million EBITDA year-to-date

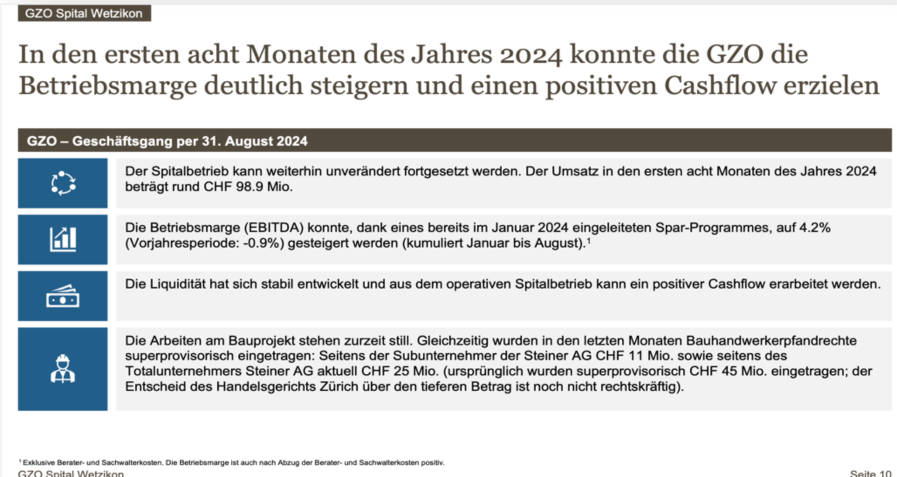
58 thousand sqm of property

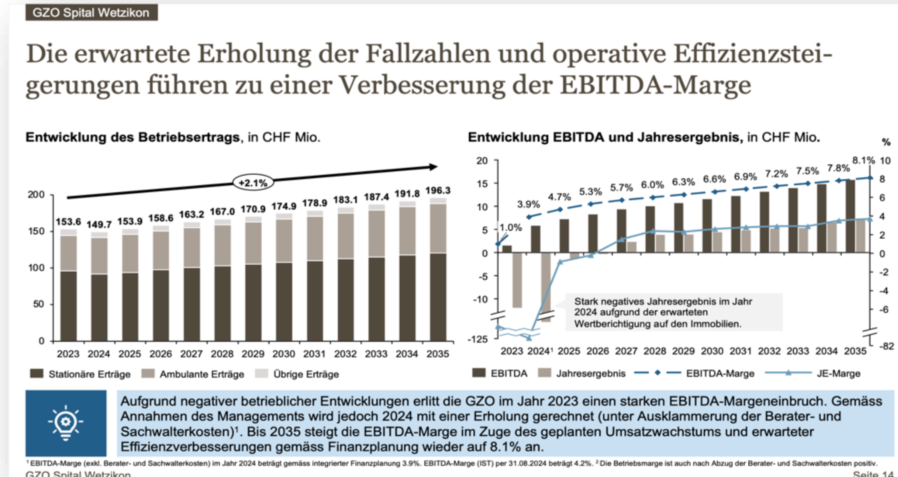
According to GZO these assets are worth nothing!

GZO's plan assumes that the business has a negative value between CHF 5 million and CHF 18 million

HOW CAN A PROFITABLE HOSPITAL BE WORTHLESS?

GZO itself has has proudly advertised its profitability in the first eight months of the year and outlined its expectations for the following decade. On the basis of the Company's numbers, the hospital will generate an estimated CHF 99 million in cash flow over the coming decade. That is more than what the company intends to pay to its creditors!





Source:GZO AG Sanierungkonzept presentation

Company generated 4.2% EBITDA margins in the first eight months of 2024

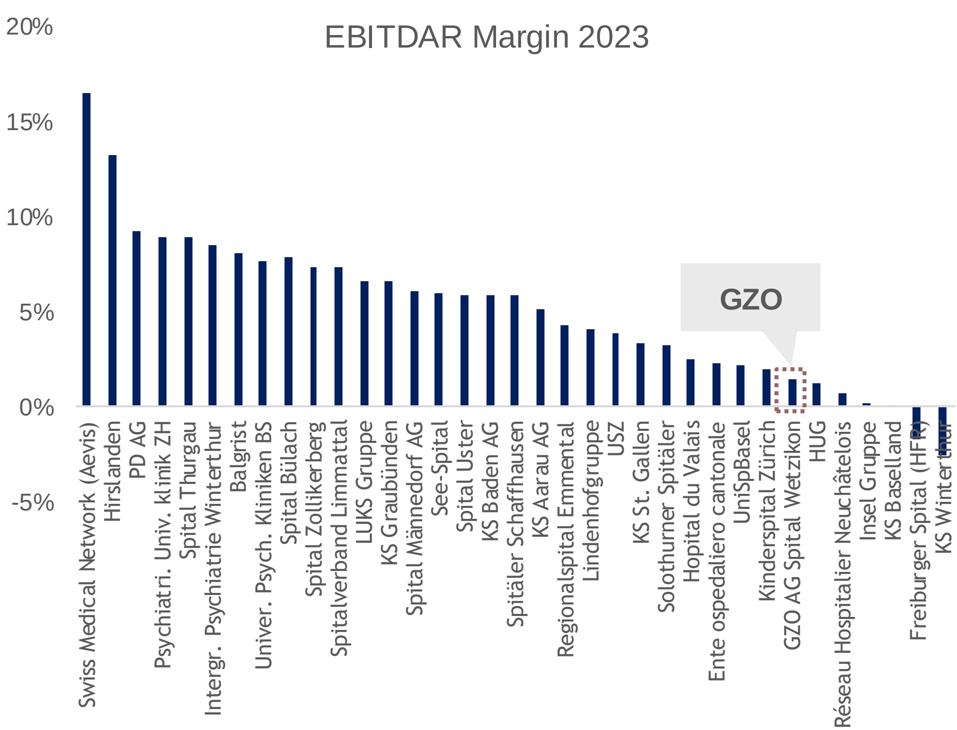
GZO projects growing revenues and growing profitability to 2035

GZO SHOULD MAKE MUCH MORE MONEY (BUT IS TERRIBLY MISMANAGED)

GZO has blamed its subpar profitability on the difficult environment for Swiss hospitals. The reality is that GZO is mismanaged, highlighted by the fact that it is one of the least profitable hospitals in the country!

- We believe that GZO's profitability should be significantly higher, <u>significantly increasing the value of the business</u>

GZO has some of the lowest margins in the sector



Under better leadership GZO's profitability would double

Source: Company data

Poor Management Example: 4-day work week

Two years ago, GZO introduced a 4-day work week while peers largely rebuffed the idea. The result:

University Hospital Zurich:
"For us, the introduction of a 4-day week would be financially unbearable and would significantly exacerbate the labor shortage, at least in the short term, with negative effects on patient care and safety"

GZO:
"(..) we had to compensate for the lack of work performance by more employees. This was not easy due to the reduced availability of skilled workers"

"The 10 percent of nurses who regularly work shifts had to be compensated due to the reduction in working hours, i.e. about 26 full-time positions"

It must be taken into account that the Wetzikon hospital had to employ many temporary employees due to the shortage of skilled workers. These would cost the hospital 40 percent more than permanent staff

Source: https://bit.ly/medinside, https://bit.ly/watsonschweiz

How much is the hospital operating business worth?

Valuation based on GZO's unambitious projections

The company's budget expects 2.1% revenue CAGR from 2023 to 2035 and EBITDA margin to progressively reach 8.1% by 2035

In CHF million	2024	2025	2026	2027	2028
Revenue	149.7	153.9	158.6	163.2	167.0
EBITDA	5.8	7.2	8.4	9.3	10.0
EBITDA margin	3.9%	4.7%	5.3%	5.7%	6.0%

Source:GZO AG Sanierungkonzept presentation

Based on comparable transaction multiples, the value of the hospital could range from CHF 72 million to CHF 87 million

Valuation based on Improved profitability

Under an aggressive cost efficiency plan, we believe that the hospital is capable of sustaining EBITDA margins between 10% and 12%

In CHF million	2024	2025	2026	2027	2028
Revenue	149.7	153.9	158.6	163.2	167.0
EBITDA	5.8	10.8	14.3	17.1	20.0
EBITDA margin	3.9%	7.0%	9.0%	10.5%	12.0%

Source:GZO AG Sanierungkonzept presentation

Based on a conservative estimate of 8% margin, GZO's value could range between CHF 123 and CHF 148 million

Note that these figures do not include the value of the cash or the value of the unfinished building whose book value is CHF 107 million as of April 30, 2024

THE COMPANY'S REAL-ESTATE VALUATION IS MISLEADING

The valuation of GZO's real estate conducted by Wüest Partner AG ("WP") is based on a rezoning ("Spitalbrache") scenario from hospital to residential and commercial use. This approach happens to be the valuation scenario that produces the lowest value possible

- The real estate valuation is driven down by an assumption of a 14-year rezoning and development process with negative cash flows. This lengthy period of inactivity, built into the valuation, leads to an artificially low assessment of the property's true value
- Repurposing the site for options such as retirement homes, nurseries, or other healthcare-related facilities that are permitted within the current zoning regulations yields a far higher result. These scenarios would enable cash flow generation much sooner than a full residential/commercial redevelopment, resulting in a stronger valuation and more attractive recovery for creditors

Basis-Szenario (Annahme Dauer für Planung und Realisierung: 14 Jahre)

Bewertung	Bezeichnung	Grundstücksfläche (GSF) m2	Marktwert CHF	Marktwert pro m2 GSF CHF/m2
1) 101-26374-105	Kat.-Nr. 10877 (Häuser A, B und F) - Spital	28'551	-13'500'000	-473
2) 101-26374-106	Kat.-Nr. 10877 (Projektentwicklung)	12'200	9'820'000	805
3) 101-26383-109	Kat.-Nr. 4242, 914 (Projektentwicklung)	13'287	13'170'000	991
4) 101-26383-110	Kat.-Nr. 4242, 902 (Projektentwicklung)	3'058	606'000	198
5) 101-26381-102	Kat.-Nr. 901 (Einfamilienhaus K)	799	1'900'000	2'378
Total		**57'895**	**11'996'000**	**207**

Optimal-Szenario (Annahme Dauer für Planung und Realisierung: 10 Jahre)

Bewertung	Bezeichnung	Grundstücksfläche (GSF) m2	Marktwert CHF	Marktwert pro m2 GSF CHF/m2
1) 101-26374-105	Kat.-Nr. 10877 (Häuser A, B und F) - Spital	28'551	-11'900'000	-417
2) 101-26374-106	Kat.-Nr. 10877 (Projektentwicklung)	12'200	12'110'000	993
3) 101-26383-109	Kat.-Nr. 4242, 914 (Projektentwicklung)	13'287	14'310'000	1'077
4) 101-26383-110	Kat.-Nr. 4242, 902 (Projektentwicklung)	3'058	606'000	198
5) 101-26381-102	Kat.-Nr. 901 (Einfamilienhaus K)	799	1'900'000	2'378
Total		**57'895**	**17'026'000**	**294**

Source: Wüest Partner AG

- WP assumes that existing hospital building and new construction has negative value
- **Maintaining the hospital operation as a going concern (together with the hospital building), would allow for a sale of other real estate assets**
- This does not consider any value from repurposing the new-build

Based on their own numbers, GZO could possibly monetize CHF 26-29 million of real estate while continuing hospital operations

SUMMING IT UP

Hospital Operations*

- Based on the Company's numbers, (which we believe to be too low) the value of the hospital could range from CHF 72 million to CHF 87 million
- With better management and a more ambitious business plan, we believe the value of the hospital could range from CHF 123 million to CHF 222 million

Valuation Sensitivity

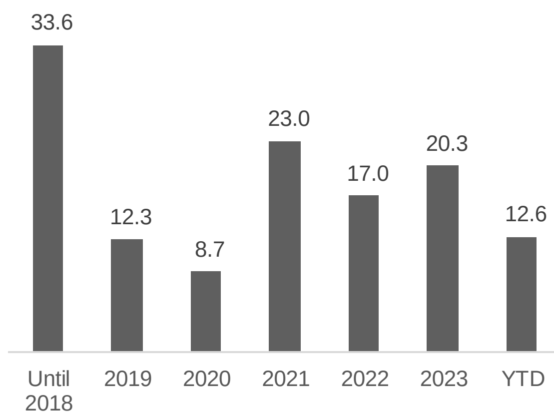
		EBITDA margin %				
	In CHF million	4.0%	6.0%	8.0%	10.0%	12.0%
EV/EBITDA	8x	49.2	73.9	98.5	123.1	147.7
	9x	55.4	83.1	110.8	138.5	166.2
	10x	61.6	92.3	123.1	153.9	184.7
	11x	67.7	101.6	135.4	169.3	203.1
	12x	73.9	110.8	147.7	184.7	221.6

* Including real-estate and excluding new building

New Building

- The Company has cumulatively spent CHF 127 million on the project
- The new building is currently held on the books at a carrying value of CHF 108 million

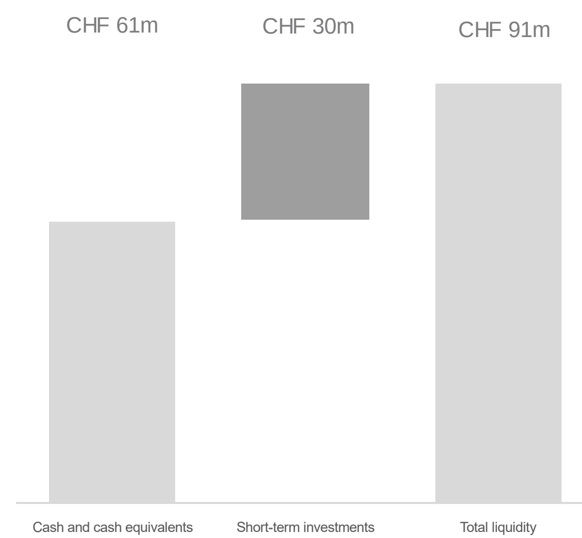
Amount spent on the construction project (in CHFm)



Source:GZO AG financial accounts

Liquidity

- Current liquidity is CHF 91 million



Source: GZO AG Bilanzstatus

GZO expects creditors to gift these assets to shareholders

Only 81-95% of the liquidity will be returned to creditors

GZO's PLAN IS GREAT FOR SHAREHOLDERS, TERRIBLE FOR CREDITORS

In CHF million	Status on 31 Aug	Debt and Asset write-downs	Remaining Debt Repayment	Pro-Forma Balance Sheet
Cash and cash equivalents	61,429,535		(55,975,999)	5,453,537
ST investments	30,000,000		(30,000,000)	-
Trade account receivables	20,052,346			20,052,346
Other ST receivables	7,906,617			7,906,617
Inventories and unbilled services	5,828,927			5,828,927
Prepaid expenses	2,132,037			2,132,037
Current assets	**127,349,462**			**41,373,464**
				-
Financial investments	492,318			492,318
Investments	1,742,639			1,742,639
PP&E	161,653,783	(97,000,000)		64,653,783
Intangible assets	2,140,255			2,140,255
Non-current assets	**166,028,995**			**69,028,995**
ST interest-bearing liabilities	170,000,000	(110,500,000)	(59,500,000)	-
Trade account payables	11,818,026	(4,672,200)	(2,515,800)	4,630,026
Other current liabilities	6,350,504			6,350,504
Accrued expenses	35,934,052	(4,672,200)	(2,515,800)	28,746,052
Current liabilities	**224,102,582**			**39,726,582**
LT interest-bearing liabilities	61,269,710	(39,825,312)	(21,444,399)	-
Non-current liabilities	61,269,710			-
Equity	**8,006,166**			**70,675,877**

Tangible asset write down

Debt Haircut

Debt Haircut

Source:GZO AG Bilanzstatus, Clearway analysis

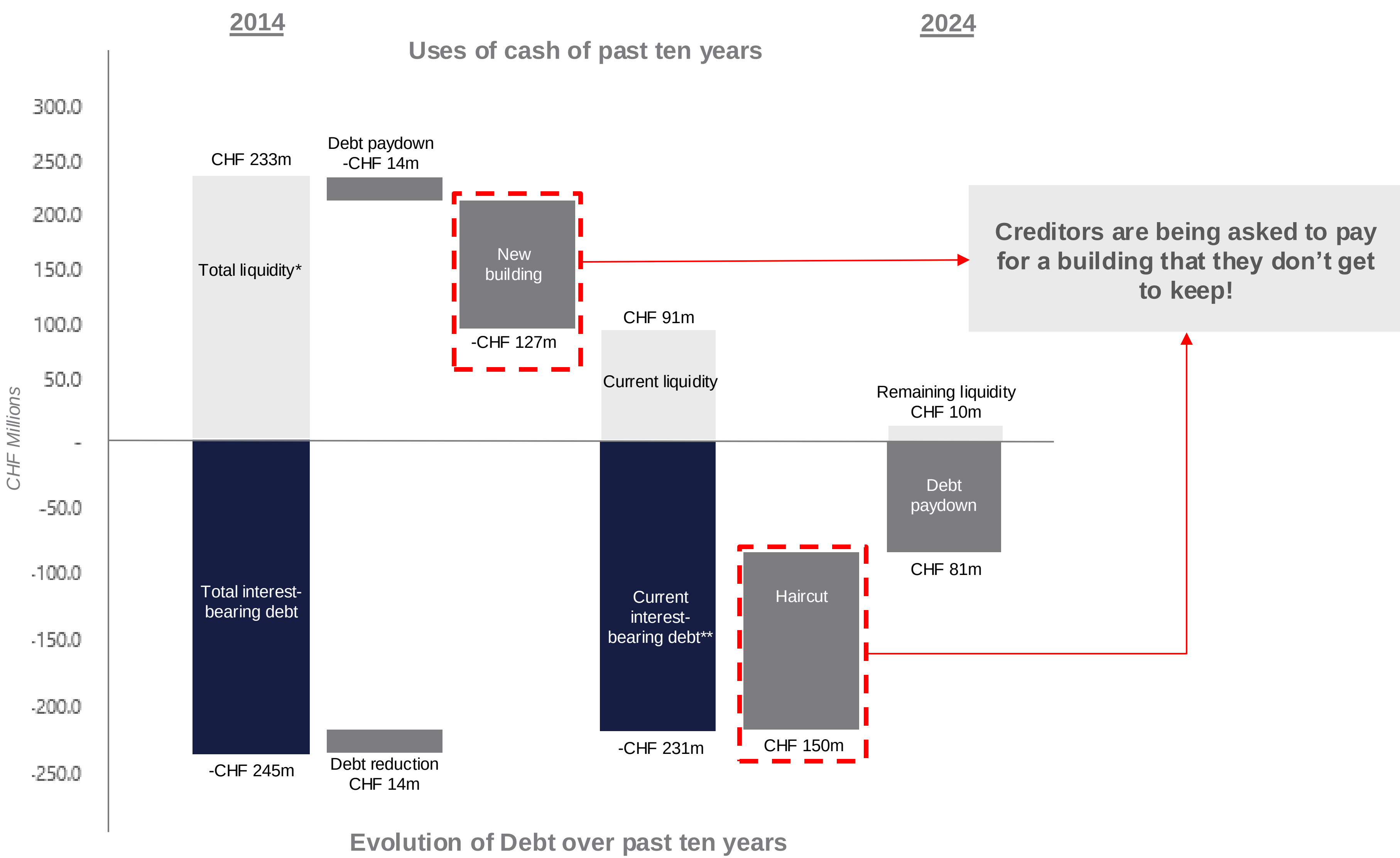
GZO's proposed plan will result in the following:

- Creditors receive *30-35% of their investment*
- Shareholders receive:
  1. A profitable operating business worth at least CHF 72 million and potentially up to CHF 220
  2. A new building whose current market value is likely between CHF25 million and CHF50 million
  3. Other real estate worth up to CHF 29 million according to Wüest Partner CHF 5-18 million of excess cash
  4. An equity value of CHF 71 million and no debt

Pro-forma balance sheet (post haircut) of company that will remain owned by current shareholders

GZO's plan leads to an increase in shareholders' equity by CHF 63 million at the expense of creditors. The economic value retained by shareholders is substantial and can be estimated to exceed CHF 160 million

Creditors should not be paying for GZO's bad management



Source: GZO AG, Clearway analysis; *this includes cumulative FCF before investments in new building; ** this excludes CHF 14 million of non-interest-bearing debt

GZO IS ACTING IN BAD FAITH

Trustee valuation is misleading

The trustee's endorsement of GZO's proposed plan lacks a foundational evaluation of GZO's value as an ongoing business raising concerns about whether creditor interests have been adequately protected. **The Trustee is clearly not acting in the best interest of creditors**

- Without a valuation of GZO as a functioning business, the trustee has failed to assess whether bondholders could achieve higher recovery if the business were maintained as a going concern, sold intact, or restructured
- With substantial cash reserves and consistent profitability, GZO's financial health is significantly stronger than the proposed restructuring implies. A going concern assessment would likely demonstrate that the company has substantial value, enabling bondholders to recover more

Valuations performed take unrealistic assumptions

Of all of the work performed by external advisors, GZO has selectively elected to represent only the worst outcomes for the company in situations that are often very unrealistic in their assumptions:

- **PWC's projections** are very unambitious implying that annual cost-savings of less than CHF 1 million. This is less than what the company is likely spending on its advisors at the moment. It is not unreasonable to assume potential cost efficiency opportunities in the mid single digit millions
- **Real estate valuation** was done on the basis of the assumptions that the assets would burn cash for fourteen years completely leaving out the prospect of repurposing under current zoning.
- **Liquidation value:** the valuation performed by the Trustee is not only misleading in that it leaves out a going-concern valuation all together, but it uses the worst-case scenario for real-estate value and high employee severance costs

The company is trying to put itself into technical insolvency

The Company intends to write off up to CHF127 million of assets putting itself into *technical insolvency.* **We believe that this is being done solely to avoid being forced by the court to exit the moratorium**. Shouldn't GZO be trying to fight to maintain the value of the assets, especially if the company intends to take part in the regional hospital network?

THE MORATORIUM IS BAD FOR CREDITORS

The Moratorium process is meant to allow companies to negotiate terms with creditors. GZO has demonstrated poor judgement and bad faith towards its creditors at every step, culminating in a proposal that does not make economic sense. The Moratorium is not the right process for GZO:

- GZO has stated that the payout to creditors would occur in 24 months implying that they intend to remain in a moratorium for two years. When no agreement is reached, creditors will have wasted two years
- During the moratorium it is the company who must propose terms. Accordingly, it will be a long back and forth process
- The trustee engaged to defend creditors was indicated by GZO and plagued with conflicts of interest. Their approval of GZO's plan shows bad faith
- Based on the company's proposal, their expectations are so far off what could be considered reasonable that **there is no chance that a moratorium will result in a positive outcome**

There are two options to exit the debt moratorium, of which are better for creditors:

1. **Extension of bond maturity:** an extension of the debt maturity would provide the company time to monetize assets. To avoid being forced to do this, following our proposals the company has worked to put itself into *technical insolvency* by writing off assets we are currently working to determine the validity of these write-offs and believe that it is highly unlikely that the asset values have deteriorated to the extent outlined by GZO
2. **Bankruptcy:** in bankruptcy, a creditor committee is appointed and, at its first meeting, decides whether to liquidate the company or seek alternatives as a going concern. This is a far better solution than allowing GZO's current board to dictate the process

In bankruptcy creditors lead the process, cutting GZO's current board and management out of the decisions, and thus would be more beneficial for creditors

CONCLUSIONS

- GZO's proposed plan requires creditors to *gift* a profitable operating business and real estate holdings to shareholders

- To avert being forced by the judge to adopt our proposals, GZO is attempting to put itself into a technical insolvency by writing off assets. If it is found that the board has not acted within its fiduciary duty, we intend to **hold the board of directors personally liable for damages**

- The trustee has not fulfilled their duty to act in the interest of creditors, leaving out a going concern valuation from their assessment of liquidation value and thus misrepresenting the situation to the benefit of GZO's board

- Bankruptcy is a perfectly acceptable outcome as it will take the process away from GZO and put it in the hands of the courts. In this case creditors would be better positioned to dictate the outcome. Based on initial feedback from potential buyers, we are confident that there is substantial value in the hospital's operations. **This would also be better for GZO's employees and patients, as it would bring a faster solution than the status quo.**

We urge all creditors to get in touch with us at contact@gzo-bondholder.ch and fill out the form on www.gzo-bondholder.ch

For further information please contact contact@gzo-bondholder.ch