



PalletBiz Franchising

What purpose does this document serve?

Since You have signed an NDA (Non-Disclosure Agreement), an MoU (Memorandum of Understanding), and even a CiP (Clearance in Principle) – thus enabling the accession process towards becoming a PalletBiz franchisee – you will most likely have a lot of questions related to the further process and the details of the required Business Case documentation, Franchise Agreement, other binding commitments, etc.

We have therefore assembled a list of the most common questions that are typically being raised by our acceding franchisees, when entering Phase 3 of the accession process – and then completed the list with our answers.

If some of our answers are not clear enough – please do not hesitate to contact the PalletBiz project manager responsible for your accession process.

Question	Answer
What is franchising and a franchise	Franchising is a kind of agent and licensing relationship rolled into
network?	one.
	When a company (the Franchisor) has developed a <i>Brand and IPR</i> (Intellectual Property Right) consisting of know-how, products, concepts, or a special way of working – and has decided to offer other companies to share in the success of the Brand – i.e., to buy into the <i>Business System</i> offered by the Franchisor – then we are talking about Franchising and a <i>Franchise Network</i> . Usually, the Busines System offered by the Franchisor requires that the Franchisee do business/trade in the franchise name and with the franchise logo.
	One of the most known franchise networks in the world is
	McDonald's – which is a retail franchise in the fast-food sector.
What kind of franchise is offered by	PalletBiz offer an industrial franchise - which licenses the
PalletBiz?	franchisees to produce, trade, and service a portfolio of products
	which are either produced by the franchisees themselves – or
	offered by the Franchisor through a network of nominated
	suppliers – in PalletBiz called PAPs (PalletBiz Approved
	Partners).

Drond and IDD	The Frenchisor protocts its Intellectual Property Dights through
Brand and IPR	The Franchisor protects its Intellectual Property Rights through Registered Trademarks ®, patents, copy rights ©, domain names, non-disclosure agreements, a.o. and develops its Brand by ensuring – that all Franchisees in the Network are complying with the same methodology and quality when trading with the Business System – i.e., doing business in the same way – which in PalletBiz is called <i>PalletBiz Way</i> ©
What is the PalletBiz Business System and what is the Value Proposition to PalletBiz clients?	PalletBiz offer a unique product-mix of <i>Handling Material</i> products (primarily made from wood, metal, and in the future, plastic, a.o.), enhanced by relevant services (i.e., pallet & packaging repair, buyback, and pooling) and consultancy. We deliver premium, one-call-for-all and cross-border solutions with a uniform quality and methodology – and in a sustainable way. Our Business System differentiates us from most of our local competitors in each of the countries where we operate – and makes us especially attractive for many <i>KAs</i> (Key Accounts) and especially <i>IKAs</i> (International Key Accounts).
	to Materials Handling and Handling Materials. Through the Consultative Approach we endeavor to add value for the customers – by improving their <i>TCO</i> (Total Cost of Ownership) of Handling Materials.
	 Our commercial USP's can be therefore summarized as below: international presence – currently spanning across 5 regions in 10 countries transparency in customer product mixes and purchase prices, communicated through a consultative approach convenience of a "one-call-for-all" cost improvements and savings increased sustainability by arranging recycling, buyback, and pooling schemes for the customers' packaging materials.
Material Handling – and Handling Materials	PalletBiz is a specialist in Handling Materials (tertiary packaging industry).
	The PalletBiz websites and brochures are constantly being updated and improved to ensure that our Value Propositions are clearly communicated to the markets.
What are the advantages of the PalletBiz Business System and being a Franchisee in the PalletBiz Network?	 The most important benefits of being a Franchisee in PalletBiz are: Being part of an international successful network of like industry operators – currently in Europe, Middle East & Africa Getting the benefit of a well-known name and logo that will add global brand value to your company. Getting the benefit of global, regional, and local marketing – coordinated by <i>GSS Marketing & Sales</i> with a marketing budget that is growing all the time as new franchisees join the network.

Are there different levels of Franchisees?	 Having access to a growing portfolio of <i>KA/IKA</i> that places orders in several countries and are being managed and coordinated through GSS Marketing & Sales to the benefit of all relevant Franchisees. Having access to a strategic and operational purchasing structure – coordinated by <i>GSS Supply Chain</i>, adds economy of scale through the accumulation of purchase volumes from all the franchisees – which allows us to negotiate very competitive prices for raw materials as well as finished products from the nominated suppliers also called <i>PAPs</i> (PalletBiz Approved Partners) Access to <i>Co-financing</i> of tangible assets as well as working capital. Access to Technical expertise – not only from the <i>CTOs</i> (Chief Technical Officers) in the GSS organization – but even more so by having access to the experiences of the entire Network. In PalletBiz we work with only two levels – <i>Master Franchisees</i> – and <i>Franchisees</i>. A Master Franchise is often a Franchisee that has the capability, capacity, and capital to expand into more countries within the same <i>Region</i> and would like to do this in partnership with the Franchisor.
What is a Franchisee doing?	between the Franchisor and a major Franchisee. A Franchisee has a Factory and/or a Repair Center - or will establish/improve such facilities with the assistance of the
	Franchisor/Master Franchisee. The legal entity of a Franchisee has been through a <i>PalletBiz</i> <i>Accession Project</i> consisting of several phases concluding with the signing of a Franchise Agreement with the Franchisor/Master Franchisee - which transfer the licenses to market and trade the PalletBiz products using the PalletBiz Business System in compliance with the PalletBiz Way©.
	The Country Franchisee is marketing and selling in the trade name of PalletBiz + territory name (for example: PalletBiz Hungary) using the PalletBiz registered logo.
	When the Franchise Agreement is signed, the Franchisee receives exclusivity to all sales done in the territory – regardless of whether it is sold by own people or by the Franchisor/Master Franchisee people.
What is a Master Franchisee doing?	The Master Franchisees are mainly Regional development companies.
	As mentioned above it is typically a subsidiary of the Franchisor in joint venture with a major Franchisee in the region.

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	 The Master Franchisee is developing and coordinating the activities of the Franchisees in the Region – this includes: Ensuring that the Franchisees have the right IT/Communication system – PFCS (PalletBiz Franchising Communication Systems) – which is licensed from the Franchisor and paid for by the Regional Development Funds. Coordinating and financing marketing activities fully or partly paid for by the Regional Development Funds. Participating and coordinating in the sales activities – usually in the form of co-sales with the Franchisee sales staff – or by coordinating the plans and activities related to Key Accounts in the Region – as well as coordinating with the Global account responsible in PalletBiz Corporate. Coordinating the selection and development of nominated suppliers/service providers/PAPs located in the Region. Coordinating Demand forecasting and supply balancing within the Region Assisting the Country Franchisees with all matters relating to the development of their business. Ensuring that personnel of new Country Franchisees are being trained – specifically to their needs. Ensuring that the Business Plans and other plans are developed – and assisting the Franchisees with the maintenance of the plans and the implementation of the planned activities. Assisting the Franchisees with the necessary development of their business in compliance with the PalletBiz Way©.
	payments are done.
Regions	As of March 2022 – PalletBiz have Franchisees in the following EMEA Regions:
	Europe:
	- SEE - South East Europe – started in 2006.
	- CES – Central Europe-South – started in 2020.
	 CEN – Central Europe-North – started in 2020. SWE – South West Europe – started in 2022.
	 SwE – South west Europe – started in 2022. NWE – North West Europe – started in 2022.
	Middle East:
	 ME/GCC – Middle East/Gulf Cooperation Council – started in 2013.
	statted in 2015.

	Africa:			
		SADC – South	ern Afric	a Development Council – started
		2017.		
			herating i	n accordance with Strategy Plan
			-	her expansion into more Regions
		e coming years	-	ner expansion into more Regions
Franchise Network	-			z Franchise Network consists of
Franchise Network				
		-	-	chisees – with a mix of Master
	Franchise	es (MFS) and C	Country F	Franchisees (CFs):
		Decier	ME	CE
	F	Region	MF	CF
	Europe	SEE	1	1 (RO)
				+ 2 acceding (MD, BG)
		CES	1	1 (HU)
				+1 acceding (HR)
		CEN	1	+1 acceding (PL)
		SWE	1	-
		NWE	1	-
	Middle	ME/GCC	1	3 (SA, BH, OM)
	East			+3 acceding (QA, KW, AE)
	Africa	SADC	1	1 (ZA)
				+2 acceding (MZ, CD)
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	of wood elements.			ens are rung acpendent on import
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What does it cost to become a Franchisee?	To becom	ne a Franchisee	•	st have a factory and/or a Repair
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	To becom Center – facilities If you alro complies up, CSI	the a Franchisee or be willing t with the suppo- eady have a fa with the Pallet R (Corporate	to make a rt of the F ctory – P Biz require Social	st have a factory and/or a Repair a green field investment in such Franchisor/Master Franchisee. alletBiz will assess if the factory rements in terms of technical set- l Responsibility) and EHS
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	 A <i>Franchise Fee</i> – usually EUR 50.000 (see Franchise Fee)
	- Royalty – 3% of the turnover from all sales in the Territory/Country.
What else is required to become a Country Franchisee?	In Phase 2 of the PalletBiz Accession process, we prepare a high- level Business Case in the form of Scenario Plans based on commercial and product-technical information gathered from the Acceding Franchisee and from the market.
	Based on the Scenario Plans we form a framework of a Business Case, which then is described in a preliminary version of what in PalletBiz is called <i>SDOP</i> (Strategic Direction & Operating Plan). The preliminary version of the SDOP then becomes the basis for the Franchisor as well as the Acceding Franchisee to consider and sign the CiP – Clearance in Principle – where both parties declare that they are willing to finalize the Business Case together.
	A final Business Case in the form of a SDOP with supporting plans that both parties can approve – is the final requirement to become a Franchisee.
	The total Business Case must be approved by the parties – and a Due Diligence site-visit by the Franchisor must take place before a Franchise Contract and other binding agreements can be signed.
	The selection of the right Country Franchisees if very important for us at PalletBiz. Every time we take in a new Franchisee it is like including a new member in your family.
	It therefore very important – apart from the development of a good Business Case that both parties can agree – that both parties also feel the chemistry is there for a good cooperation, and that the owners and key staff in a potential new Franchisee can associate themselves with the <i>Core Values of PalletBiz</i> .
Core Values of PalletBiz	To make a sustainable business – it must be based on a set of core values that everyone can accept and integrate in their daily work.
	In PalletBiz we have defined 4 core values: - Openness - Proactiveness - Loyalty - Win/Win.
SDOP	A Strategic Directions & Operating Plan is usually a 6-10-page description of what the overall strategy is for the Franchisee operations – and a description of the first-year key operational tasks and objectives.
	 A SDOP has several supporting plans: PPAP – PalletBiz Preliminary Action Plan Market Plan P&L Budget Plan Investment & Funding Plan

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	In Phase 3 of the Franchise Accession Process – the SDOP and
	supporting plans are finalized in a collaborative process including
	You and the and PalletBiz staff from the Regional Master
	Franchisee as well as the Franchisor.
РРАР	PalletBiz Preliminary Action Plan: Time plan – specifying activities and milestones – rolling 12 months.
Market Plan	Go-to-Market Plan – outlining market segmentation, product-mix and the necessary marketing mix – rolling 12 months.
P&L Budget Plan	Monthly income and cost budget for rolling 12 months.
Investment & Funding Plan	Tangible and In-tangible investments – and how to fund these – rolling 12 months.
Does PalletBiz make equity investment in Franchisees?	Becoming a PalletBiz Franchisee is the first step into the PalletBiz family.
	PalletBiz do not demand Franchisee owners to offer an equity share in their companies. However, PalletBiz would like to take equity positions in Franchisees because it makes the parties cooperate even closer – and it is in line with the PalletBiz core value of Win/Win.
	We have a standard for establishing the value of a Franchise operation – and the payment is most often a mix of cash and Convertible Corporate Bonds – which will provide the Franchise owner with a running interest income, and a possibility for payoff in corporate shares.
	12 out of the current 22 Franchisees and acceding franchisees in the PalletBiz Network have or are expected to have Group Equity by end of 2022.
What is a Franchise Agreement?	By signatures to the Franchise Agreement the Franchisor hands over a license to the Franchise - to use the PalletBiz Business System
	 to trade under the PalletBiz logo and name to get access to the PalletBiz Way© knowhow, and to benefit from the marketing, sales, and purchasing power of the Network.
	The Agreement further regulates the objectives of both parties – and how to work together.
	Training and support systems for the Franchisee is outlined.
What about the legal name of my	The PalletBiz communication system tools (PFCS) are explained which will be paid for through the Regional Development Funds. The Franchise Agreement is specifically stating that the legal name
company?	of the Franchisee shall continue – and will appear in all legal documents – for example at the bottom of an invoice.
	However, the Logo and PalletBiz name must be on all stationary and all trading documents – to comply with the branding of PalletBiz – which is the purpose of becoming a Franchisee.

Can the content of the Franchise Agreement be changed?	 Since the Franchise Agreement is basically the handover of a license to the PalletBiz Business System – it must be the same for all Franchisees on a global scale – and therefore the Franchise Agreement is in English language, and the core legal text cannot be changed. Meanwhile, what is usually changed is the choice of Law and Jurisdiction. The Appendixes specifying the details of the specific Business Case, Territory, etc. obviously differ from Franchisee to Franchisee.
Duration – and termination of a Franchise Agreement	 15 years – with possibilities for extension. The Agreement can be terminated during the duration – however, such termination must not damage the PalletBiz Brand – and therefore there is a non-competition clause of 12 months. We have not experienced a situation of termination yet in the PalletBiz Network – but it would be the best if the Franchisee used the <i>possibility of selling the business</i> to the Master Franchisee or a 3rd-party.
Possibilities of selling the business during the duration of the Franchise Agreement	There is an option to sell the Franchise business including the Franchise Agreement – either to a 3^{rd} -party owner that can be approved by the Franchisor – or to sell the Franchise company to the Master Franchisee.
PFCS (PalletBiz Franchise Communication Systems)	In the Franchise Agreement it is stated that the Franchisee must use IT/Communication software provided by the Franchisor – which we call the PFCS. Some part of this is compulsory and/or standard: - Microsoft – Outlook, SharePoint/Teams & Yammer - PalletBiz CRM system (Salesforce) - Pallet Express – 2D/3D design software - REVISO ERP system (only if no other system) The compulsory and standard systems ensure that we have a common communication setup and a minimum administrative platform for everyone in the Network. The Franchisor issues a license certificate for each franchisee - for the compulsory and standard software on a quarterly basis – and invoices this to the Master Franchisee for the Region. The Master Franchisee pays for the standard by deducting from the <i>Regional Development Funds</i> – so the franchisees do not pay for this directly but only indirectly though the <i>Royalty</i> . Other parts of the PFCS are voluntary for the Franchisees – or compulsory only for the Franchisees that are a subsidiary of PalletBiz Franchising Zrt.:

	 More advanced ERP system with production management a.o. – Microsoft Dynamics 365 BC Technical control software for Sawmilling or other types of machines
Franchise Fee	The non-compulsory systems are licensed directly to the individual Franchisees – and paid directly by the Franchisees.
r ranchise ree	The standard Franchise Fee is EUR 50.000 for a Country. The Master Franchise Fee depends on the economic development of the region - and is currently varying between EUR 150-165.000.
	The fee is partly a hand-over fee for the Franchise Rights – use of the Brand & IPR – and partly payment for the necessary training and preparation of the acceding Franchisee.
	Since the experience of acceding Franchisees can differ greatly – the fee can be negotiated to reflect the level of experience in the industry.
	The Franchise Fee is invoiced at the time of signature on the Franchise Agreement – and usually paid in 2 instalments – 50% at signature and 50% at operational kick-off (after training).
Royalty	Royalty is standard 3% of turnover - for all Franchisees.
	The Royalty is reported through the Master Franchisee and invoiced latest on 10^{th} of the month for the preceding month with 20 days payment term.
	Part of the Royalty (1%) goes into the Regional Development Funds – and used for covering marketing and PFCS.
Regional Development Funds	1/3 of the Royalty paid to the Master Franchisee stays in the Region to cover the development of the Regional marketing and communications structure.
	The more franchisees – and the greater the turnover – the more funds will be spent on marketing and development activities.
	The Regional Development Funds will cover 100% of the PFCS costs and co-finance Regional marketing costs. Each Franchisee as well as Master Franchisee is required to cover their own local/regional marketing spent.
PAPs	PalletBiz Approved Partners – or as they are referred to in the Franchise Agreement, <i>nominated suppliers</i> – are a network of suppliers developed by the Franchisor over many years that enables PalletBiz to have a uniquely wide product mix and competitive cost prices for all those products that are not necessarily produced at the individual Franchise factories.
	The PAPs make it possible for all Franchisees to have access to the same wide product-mix that is a part of the unique Value Proposition we offer to our customers.

	PAPs can be Global (typically for raw materials), Regional, and Local – and while it is possible for Franchisees to develop Local suppliers – for quality, tactical, and strategic reasons, some of our products can only be sourced from the PAPs.
	We coordinate and balance the supply from the PAPs through a monthly Demand Forecasting process handled by the <i>GSS Supply Chain/S&OP</i> function in <i>GSS</i> in the Franchisor organization.
GSS	GSS = Global Sourcing & Sales
	Department in PalletBiz Corporate that provide management and coordination resources and central support within areas of Marketing & Sales, Supply Chain, and CTO (Product/Production/Technical) issues.
GSS Marketing and Sales	Development of marketing plans and activities on a Global, Regional basis – and coordination of activities with Franchisees.
	Coordination and Account Management for IKA.
GSS Supply Chain/S&OP	Planning, coordination, and execution of Global and Regional Supply Chain activities.
	The S&OP function coordinates the monthly Demand Forecasting which is part of the monthly Sales and Operational planning cycle – which leads to overall decision-making regarding expansion of the PalletBiz footprint.
	The Category Management function is a recently defined, additional leg of Global Supply Chain Management, and is expected to provide commercial lead per product category.
GSS Sustainability	Overall project coordination in Franchise Accession to ensure that there exists an Action Plan, as well as that the Plan is carefully followed through and implemented via the outlined steps.
	Training and knowledge distribution, franchise development and compliance management after a successful Accession.
GSS – CTOs	CTO = Chief Technical Officers are PalletBiz specialists and advisors in technical areas and sourcing of specific product categories.
КА/ІКА	The PalletBiz Value Proposition is especially interesting for our International Key Accounts who get the added benefit of "one call for all" – a wide product-mix delivered in several countries.
	When we get a Key Account in one country – that has an international footprint – then GSS Marketing & Sales will coordinate with the regional and local franchisees in those countries where the IKA has footprint with the purpose of getting orders from more of the IKA subsidiaries.
MyPalletBiz – our Intranet	When a Franchisee has signed the Franchise Agreement, access to the PalletBiz Intranet (i.e., MyPalletBiz) will be granted.

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	On MyPalletBiz you will find: Network news and information sharing Access to IT platforms Information on the PalletBiz corporate and organizational
	 structure, contact lists, etc. PalletBiz Way© MyInsights
PalletBiz Way©	The franchise manual – or know-how database and knowledge bank that is built into the corporate Intranet.
MyInsights	Contains Policies, SOPs, Guides, Tools etc. A section within the corporate Intranet that is dedicated to the sharing and posting of relevant market intelligence as well as performance KPIs etc. The site is currently under development.
Consultative Approach	In the current Strategy period – running until 2024 – PalletBiz has a lot of focus on improving our ability to offer our customers/clients – consulting services that will improve their Materials Handling solutions and TCO of Handling Material.
	These solutions are to a great extend related to circular economy, return logistics, pooling.
тсо	Total Cost of Ownership By focusing on TCO we can help our customers to focus on all aspects of their usage of Handling Materials – instead of only focusing on the price.
Co-financing	 PalletBiz will offer new and existing co-financing of investment projects that improve capabilities and capacity. Co-financing will be agreed as a part of the SDOP/Investment and Funding planning – and loan agreements, receivables financing etc. will be set up.
PalletBiz Accession Project – Phase 3	 etc. will be set up. Since you are reading this – you have come far in the PalletBiz Accession process. The objective of the Accession Project is to ensure that – when the parties put their signature on a Franchise Agreement – the entry into the PalletBiz Network will be well planned and based on a very good understanding and trust built on the core values of PalletBiz. In Phase 3 of the Accession Project (as planned in the PPAP) – the Franchisor/Master Franchisee and the Acceding Franchisee will work together to finalize the Business Case = SDOP and supporting plans. When binding commitments have been made – Franchise Agreement a.o. – then the Operational Kick-Off and implementation of the planned Business Case can take place (Phase 4).