



FAQs

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 network?

Franchising is a kind of agent and licensing relationship rolled into one.

When a company (the Franchisor) has developed a **Brand and IPR** (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 **Business System** offered by the Franchisor – then we are talking about Franchising and a **Franchise Network**.

Usually, the Business 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?

PalletBiz offer an industrial franchise – which licenses the 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).

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?	<p>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.</p> <p>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).</p> <p>We regard our customers as clients for our <i>Consultative Approach</i> 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.</p> <p>Our commercial USP’s can be therefore summarized as below:</p> <ul style="list-style-type: none"> - 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	<p>PalletBiz is a specialist in Handling Materials (tertiary packaging industry).</p> <p>The PalletBiz websites and brochures are constantly being updated and improved to ensure that our Value Propositions are clearly communicated to the markets.</p>
What are the advantages of the PalletBiz Business System and being a Franchisee in the PalletBiz Network?	<p>The most important benefits of being a Franchisee in PalletBiz are:</p> <ul style="list-style-type: none"> - 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.

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	<ul style="list-style-type: none"> - Having access to a growing portfolio of KA/IKA 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 GSS Supply Chain, 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 PAPs (PalletBiz Approved Partners) - Access to Co-financing of tangible assets as well as working capital. - Access to Technical expertise – not only from the CTOs (Chief Technical Officers) in the GSS organization – but even more so by having access to the experiences of the entire Network.
<p>Are there different levels of Franchisees?</p>	<p>In PalletBiz we work with only two levels – Master Franchisees – and Franchisees.</p> <p>A Master Franchisee is often a Franchisee that has the capability, capacity, and capital to expand into more countries within the same Region and would like to do this in partnership with the Franchisor.</p> <p>So, a Master Franchise company is typically a Joint Venture between the Franchisor and a major Franchisee.</p>
<p>What is a Franchisee doing?</p>	<p>A Franchisee has a Factory and/or a Repair Center - or will establish/improve such facilities with the assistance of the Franchisor/Master Franchisee.</p> <p>The legal entity of a Franchisee has been through a PalletBiz Accession Project 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©.</p> <p>The Country Franchisee is marketing and selling in the trade name of PalletBiz + territory name (for example: PalletBiz Hungary) using the PalletBiz registered logo.</p> <p>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.</p>
<p>What is a Master Franchisee doing?</p>	<p>The Master Franchisees are mainly Regional development companies.</p> <p>As mentioned above it is typically a subsidiary of the Franchisor in joint venture with a major Franchisee in the region.</p>

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	<p>The Master Franchisee is developing and coordinating the activities of the Franchisees in the Region – this includes:</p> <ul style="list-style-type: none"> - 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 with the Global Sourcing & Sales department in PalletBiz Corporate related to global PAPs (typical for raw materials) - 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©. - Ensuring that the monthly Royalty reporting and payments are done.
<p>Regions</p>	<p>As of March 2022 – PalletBiz have Franchisees in the following EMEA Regions:</p> <p>Europe:</p> <hr/> <ul style="list-style-type: none"> - 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. - NWE – North West Europe – started in 2022. <p>Middle East:</p> <hr/> <ul style="list-style-type: none"> - ME/GCC – Middle East/Gulf Cooperation Council – started in 2013.

Africa:

- SADC – Southern Africa Development Council – started 2017.

PalletBiz is currently operating in accordance with Strategy Plan 2020-2024 - that is calling for further expansion into more Regions during the coming years.

Franchise Network

As of March 2022 – the PalletBiz Franchise Network consists of 13 existing and 9 acceding Franchisees – with a mix of Master Franchisees (MFs) and Country Franchisees (CFs):

	Region	MF	CF
Europe	SEE	1	1 (RO) <i>+ 2 acceding (MD, BG)</i>
	CES	1	1 (HU) <i>+1 acceding (HR)</i>
	CEN	1	<i>+1 acceding (PL)</i>
	SWE	1	-
	NWE	1	-
Middle East	ME/GCC	1	3 (SA, BH, OM) <i>+3 acceding (QA, KW, AE)</i>
Africa	SADC	1	1 (ZA) <i>+2 acceding (MZ, CD)</i>

The Franchise Network is very different in maturity, facilities, and product-mix – from the oldest Franchisee in Romania, 19 years old – to the youngest franchisee, Hungary, 1 year old.

Some have own sawmills and others are fully dependent on import of wood elements.

What does it cost to become a Franchisee?

To become a Franchisee, you must have a factory and/or a Repair Center – or be willing to make a green field investment in such facilities with the support of the Franchisor/Master Franchisee.

If you already have a factory – PalletBiz will assess if the factory complies with the PalletBiz requirements in terms of technical set-up, CSR (Corporate Social Responsibility) and EHS (Environment, Health & Safety) standards.

When the assessment is made (PalletBiz Assessment Questionnaire) then it will be reviewed if some investments must be made to make sure the factory will comply with the requirements – and has the necessary capacity to handle the demand from the Country in question.

In addition to the factory compliance and capacity – we must consider if the product mix is comprehensive enough to cover the needs of PalletBiz customers in the Country.

Apart from the factory related investments – which will be different from Country to Country – the payment to PalletBiz consists of two parts:

	<ul style="list-style-type: none"> - A Franchise Fee – usually EUR 50.000 (see Franchise Fee) - Royalty – 3% of the turnover from all sales in the Territory/Country.
<p>What else is required to become a Country Franchisee?</p>	<p>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.</p> <p>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 SDOP (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.</p> <p>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.</p> <p>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.</p> <p>The selection of the right Country Franchisees is very important for us at PalletBiz. Every time we take in a new Franchisee it is like including a new member in your family.</p> <p>It is 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 Core Values of PalletBiz.</p>
<p>Core Values of PalletBiz</p>	<p>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.</p> <p>In PalletBiz we have defined 4 core values:</p> <ul style="list-style-type: none"> - Openness - Proactiveness - Loyalty - Win/Win.
<p>SDOP</p>	<p>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.</p> <p>A SDOP has several supporting plans:</p> <ul style="list-style-type: none"> - PPAP – PalletBiz Preliminary Action Plan - Market Plan - P&L Budget Plan - Investment & Funding Plan

	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.
PPAP	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?	<p>Becoming a PalletBiz Franchisee is the first step into the PalletBiz family.</p> <p>PalletBiz do not demand Franchisee owners to offer an equity share in their companies.</p> <p>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.</p> <p>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.</p> <p>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.</p>
What is a Franchise Agreement?	<p>By signatures to the Franchise Agreement the Franchisor hands over a license to the Franchise</p> <ul style="list-style-type: none"> - 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. <p>The Agreement further regulates the objectives of both parties – and how to work together.</p> <p>Training and support systems for the Franchisee is outlined.</p> <p>The PalletBiz communication system tools (PFCS) are explained which will be paid for through the Regional Development Funds.</p>
What about the legal name of my company?	<p>The Franchise Agreement is specifically stating that the legal name of the Franchisee shall continue – and will appear in all legal documents – for example at the bottom of an invoice.</p> <p>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.</p>

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<p>Can the content of the Franchise Agreement be changed?</p>	<p>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.</p> <p>Meanwhile, what is usually changed is the choice of Law and Jurisdiction.</p> <p>The Appendixes specifying the details of the specific Business Case, Territory, etc. obviously differ from Franchisee to Franchisee.</p>
<p>Duration – and termination of a Franchise Agreement</p>	<p>15 years – with possibilities for extension.</p> <p>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.</p> <p>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.</p>
<p>Possibilities of selling the business during the duration of the Franchise Agreement</p>	<p>There is an option to sell the Franchise business including the Franchise Agreement – either to a 3rd-party owner that can be approved by the Franchisor – or to sell the Franchise company to the Master Franchisee.</p>
<p>PFCS (PalletBiz Franchise Communication Systems)</p>	<p>In the Franchise Agreement it is stated that the Franchisee must use IT/Communication software provided by the Franchisor – which we call the PFCS.</p> <p>Some part of this is compulsory and/or standard:</p> <ul style="list-style-type: none"> - Microsoft – Outlook, SharePoint/Teams & Yammer - PalletBiz CRM system (Salesforce) - Pallet Express – 2D/3D design software - REVISO ERP system (only if no other system) <p>The compulsory and standard systems ensure that we have a common communication setup and a minimum administrative platform for everyone in the Network.</p> <p>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.</p> <p>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 through the <i>Royalty</i>.</p> <p>Other parts of the PFCS are voluntary for the Franchisees – or compulsory only for the Franchisees that are a subsidiary of PalletBiz Franchising Zrt.:</p>

	<ul style="list-style-type: none"> - More advanced ERP system with production management a.o. – Microsoft Dynamics 365 BC - Technical control software for Sawmilling or other types of machines <p>The non-compulsory systems are licensed directly to the individual Franchisees – and paid directly by the Franchisees.</p>
Franchise Fee	<p>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.</p> <p>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.</p> <p>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).</p>
Royalty	<p>Royalty is standard 3% of turnover - for all Franchisees.</p> <p>The Royalty is reported through the Master Franchisee and invoiced latest on 10th of the month for the preceding month with 20 days payment term.</p> <p>Part of the Royalty (1%) goes into the Regional Development Funds – and used for covering marketing and PFCS.</p>
Regional Development Funds	<p>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.</p> <p>The more franchisees – and the greater the turnover – the more funds will be spent on marketing and development activities.</p> <p>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.</p>
PAPs	<p>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.</p> <p>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.</p>

	<p>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.</p> <p>We coordinate and balance the supply from the PAPs through a monthly Demand Forecasting process handled by the GSS Supply Chain/S&OP function in GSS in the Franchisor organization.</p>
GSS	<p>GSS = Global Sourcing & Sales</p> <p>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.</p>
GSS Marketing and Sales	<p>Development of marketing plans and activities on a Global, Regional basis – and coordination of activities with Franchisees.</p> <p>Coordination and Account Management for IKA.</p>
GSS Supply Chain/S&OP	<p>Planning, coordination, and execution of Global and Regional Supply Chain activities.</p> <p>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.</p> <p>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.</p>
GSS Sustainability	<p>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.</p> <p>Training and knowledge distribution, franchise development and compliance management after a successful Accession.</p>
GSS – CTOs	<p>CTO = Chief Technical Officers are PalletBiz specialists and advisors in technical areas and sourcing of specific product categories.</p>
KA/IKA	<p>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.</p> <p>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.</p>
MyPalletBiz – our Intranet	<p>When a Franchisee has signed the Franchise Agreement, access to the PalletBiz Intranet (i.e., MyPalletBiz) will be granted.</p>

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	<p>On MyPalletBiz you will find:</p> <ul style="list-style-type: none"> - 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©	<p>The franchise manual – or know-how database and knowledge bank that is built into the corporate Intranet.</p> <p>Contains Policies, SOPs, Guides, Tools etc.</p>
MyInsights	<p>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.</p>
Consultative Approach	<p>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.</p> <p>These solutions are to a great extent related to circular economy, return logistics, pooling.</p>
TCO	<p>Total Cost of Ownership</p> <p>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.</p>
Co-financing	<p>PalletBiz will offer new and existing co-financing of investment projects that improve capabilities and capacity.</p> <p>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.</p>
PalletBiz Accession Project – Phase 3	<p>Since you are reading this – you have come far in the PalletBiz Accession process.</p> <p>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.</p> <p>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.</p> <p>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).</p>