

# Chem-Dry SA CC. Franchise Disclosure Document

## **Introduction:**

This **Disclosure Document** should assist the Prospective **Franchisee** (you) in assessing the franchise. While it includes some information about your contract (franchise agreement) do not rely on it alone to understand your contract; read your entire contract carefully. Buying a franchise is a serious undertaking; take your time to decide. It is recommended that you have the contract explained to you by an attorney and you should seek accounting and financial advice on the franchise proposition. Upon your written request for clarification of any terms or sections not fully understood we would provide you with further written explanation.

Also note:

**In terms of Regulation 7(2)a of Consumer Protection Act: “A Franchisee may cancel a Franchise Agreement without cost or penalty within 10 business days after signing such agreement, by giving written notice to the Franchisor.”**

## **FASA:**

Chem-Dry SA is a Full Member in good standing of the Franchise Association of Southern Africa, if required, further information on this Membership can be obtained from:

Further information can be obtained from:

The Executive Director  
FASA  
Postnet Suite # 256  
Private Bag x4  
Bedfordview  
2008

“How to Evaluate a Franchise” as published by FASA may also assist you in evaluating the franchised business.

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## **1. Franchisor information:**

Registered Name:

Chem-Dry SA CC.

Entity registration number:

CK 2003/049224/23

Registered address:

Erf. 1415, Village Shopping Centre, ST Francis Bay, Eastern Cape.

Business address :

Box 187, St Francis Bay, 6312.

E-mail address:

casper@chemdry.co.za

Fax number:

042 294 1228

Telephone number:

080 CHEMDRY (Toll Free), 042 294 1689

Website address:

www.chemdry.co.za

## **2. Resume of Executive Management Member:**

Name, ID, e-mail address, cell number

Casper Steenkamp, 5302185095085,

[casper@chemdry.co.za](mailto:casper@chemdry.co.za),

0834625529

Town of residence:

St Francis Bay

Job Title:

Owner, Member

Qualifications:

BSc. QS (UFS)

Business experience:

37 years in the Construction Industry, 28 Years in Senior Management/Managing Director position.

8 Years as Chem-Dry **Franchisor**. Owner/Manager.

Details of any material debt, criminal, civil actions:

The Franchisor has not been cited as the defendant, responded or accused in any such proceedings in the preceding three years.

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## **3. Executive summary of the business.**

Chem-dry SA, established in 1993, is the Franchisor for South Africa as per Agreement concluded with Devere International Inc. (DII) based in Nashville in the US. DII's affiliate, Harris Research Inc, of Logan Utah US, has licensed DII to sell and sublicense its processes, methods and Marks Outside the US.

Chem-Dry is the worlds largest Carpet cleaning organization with more the 3,500 franchisees in the US and International Franchisees in more than 53 Countries.

Chem-Dry specialise in:

- Delivering drier, cleaner and healthier carpets
- Upholstery and leather/vinyl cleaning
- Treating difficult stains
- Flood damage restoration
- Removing sticky residues
- Cleaning Persian, Oriental and woollen rugs
- Removing pet urine and odour
- Curtain cleaning
- Tile & Stone Cleaning

Chem-Dry SA has 55 Franchisees operating in all the major centres of South Africa. For further information also visit our Websites: [www.chemdry.co.za](http://www.chemdry.co.za) and [www.chemdryfranchise.co.za](http://www.chemdryfranchise.co.za).

### **3.1 Trademarks, Trade Names and Service Marks and other Commercial Symbols**

Harris Research Inc. (HRI) is the registered owner of the Chem-Dry processes for cleaning rugs, carpets, upholstery and draperies, and water damage and other restoration services, and methods for operating businesses under certain trademarks, trade names, service marks and other commercial symbols, including the service mark "Chem-Dry", and has licensed Devere International Inc. (DII) to use and sublicense these processes, methods and marks outside the U.S. Chem-Dry SA as Master Franchisee in terms of its agreement with DII has the right to open and operate, and to grant to others the right to open and operate, Chem-Dry businesses under the "Marks".

"Marks" mean the intellectual property rights owned by HRI or its nominees including but not limited to certain Trademarks, Trade names. Service Marks, Logo Types, Commercial symbols, Copyrights and Patents applicable to the Chem-Dry System.

Copy of the Agreement between DII and Chem-Dry SA is available for perusal at our offices or a copy can be provided upon the written request from the prospective **Franchisee**

Harris Research, Inc.  
a Utah Corporation  
124 12th Ave. South, Suite 300  
Nashville, TN 37203  
( 800) 841-6583  
[webmaster@chemdry.com](mailto:webmaster@chemdry.com)  
[www.chemdry.com](http://www.chemdry.com)



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## **4. Franchise Agreement**

### **4.1 Territorial Restriction:** - Clause 7.2 of Franchise Agreement

The **Franchisee** shall be entitled to advertise and solicit business for business as follows:

in respect of residential work, only within: areas covered by (list of Cities, Towns and/or suburbs to be listed).

in respect of commercial work, anywhere within the **Territory**. (List, Territory is defined in terms of the Yellow pages Publication relevant to the franchise Right.)

**Franchisee** may enter other areas by referral but only where the referred customer makes first contact with **Franchisee**.

### **4.2 Site selection:** Clause 6 of Franchise Agreement

The purchase or rental of a property is not a requirement. You may operate out of your own home (where zoning and other bylaws and regulations permit), provided your home is within the territory as designated in the Franchise Agreement. A storage area the equivalent of a single car garage will be adequate should you have to buy or rent.

### **4.3 Conditions relating to renewal:** Clause 4 of Franchise Agreement

The Agreement may be renewed at no further charge for additional 5 (Five) year periods on subsequent 5 (Five) year anniversary dates subject to the following conditions being met:

**Franchisee** has substantially complied with all the terms and conditions of the Agreement

Franchisee executes Chem-Dry SA's then-current form of Franchise Agreement, which may contain new and different terms and conditions.

The parties are able to reach agreement on a development schedule for a renewal term.

Note, by "then current Franchise Agreement" is meant the agreement being used by **Franchisor** at the time of renewal, which all new **franchisees** are required to sign to enter into the Chem-Dry network. No renewal agreement shall impose upon **Franchisee**, terms and conditions that are more restrictive than the agreement which incoming franchisees are required to sign at the time of the renewal.

### **4.4 Restrictions on sale or assignment of franchised business:** Clause 19 of Franchise Agreement

Subject to the **Franchisors** first right of refusal, **Franchisee** may sell or assign his interest under this Agreement only with the prior written consent of **Franchisor** (which consent shall not unreasonably be withheld) and subject to the following:

- Copy of sales agreement must be submitted to Franchisor, the agreement must contain:
- Full disclosure of the purchase price in terms of Goodwill, Stock, Equipment, Vehicles
- Be conditional of the approval of the purchaser/assignee by the Franchisor.
- Purchaser executes Chem-Dry SA's then-current form of Franchise Agreement, which may contain new and different terms and conditions
- Must be for the full franchised business.

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Sale of Franchised Business will be subject to a transfer fee. The amount of the transfer fee shall during the initial 5 year term be 50% (Fifty Percent) of the then current Initial Franchise Fee or R24,500,00 (Twenty One Thousand Rand), whichever is the lower, and thereafter 50% (Fifty Percent) of the then current Initial Franchise Fee, plus Vat on the aforementioned amounts.

Current Agreement does not allow for assignment, assignment will be subject to similar and not more onerous or restrictive conditions than for the sale of a Franchise. Same transfer fee will be applicable.

## 4.5 Conditions relating to termination: Clause 16& 17 of Franchise Agreement

**Franchisee** may cancel Agreement by giving 60(sixty) days written notice.

**Franchisor** may terminate only if there a material breach in terms of the agreement:

- Must give written notice.
- If breach is capable of remedy, Franchisor must give written notice with 14 days to remedy.

**On termination Franchisee must:**

- Settle all outstanding liabilities in terms of the Franchisee Agreement
- Cancel all advertising, remove all signage etc. related to the business.
- Return all training material, manuals, advertising material etc. to **franchisor**.
- Submit full list of all clients complete with contact details and addresses to franchisor.

## 4.6 Obligations of Franchisor - Clause 8 and 9 of the Franchisee Agreement.

The franchisor will provide initial and Ongoing Training:

**Initial training will embrace:**

- How to mix and apply cleaning products and use equipment under normal working conditions for the class of franchise granted;
- How to compute customer quotes for services;
- How to solicit and maintain business;
- How to keep and maintain business records and accounts;
- How to replace inventory and otherwise enter into and conduct the class of franchise granted using the **Chem-Dry System**.

**On Going Training:**

Franchisee shall complete at least one training course per calendar year and/or

- Attend an annual conference or convention;
- attend one of our authorized regional visits;
- attend a training session held in St Francis Bay, Eastern Cape;
- Successfully completing and obtaining a certificate for such online or other electronic training modules as are available on the Chem-Dry Gateway University.

**Operating assistance:**

**Franchisor** shall furnish to **Franchisee** such reasonable operating assistance in connection with the operation of the **Franchise** as **Franchisor** determines from time to time to be necessary or such further reasonable assistance as **Franchisee** requests.

Without limiting the generality of the foregoing, such operating assistance will include advice and guidance regarding:

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- Hiring and training employees;
- Formulating and implementing advertising and promotional programs.
- Administration of the National Advertising Levy. Including the development of a franchisee specific Website.
- Upgrading and improving equipment, cleaning products and other supplies for the class of franchise granted;
- Training to update **Franchisee's** knowledge, skills, and awareness of new products, in the form of but not limited to video tapes, training manuals, newsletters, circulars, emails, internet postings and downloads, training seminars and conventions.

## Law:

The Franchise agreement and its implementation are subject to all applicable laws from time to time in force in the Republic of South Africa and any other territory prospective franchisees may carry on business.

## 5. Financial Info:

### 5.1 Initial Investment

The Initial **Franchise fee** will be R48,500.00 exc Vat. The initial fee is applied towards the initial training and Accommodation for the initial training, cost of preparing and executing the Franchise Agreement, access to the Chem-Dry Gateway and University, Training and Operational manuals and Franchisor profit.

### 5.2 Establishment Cost:

Expenditure	Amount	Comment
Equipment	R165 000	
Startup Chemicals	R17087	
Promotional Material	R4089	
Lease of Property	R0	Work from Home
Lease of Property	R0	Included in Monthly Expenditure
Furniture	R0	Work from Home
Furniture	R3,500	Desk & Chair
Computer & printer	R8,500	
Staff Training	R0	Included in Initial Fee
Travel To St Francis	R3,500	Area Dependent
Procure Panel Van	R180,000	Mid range
Van Sign Writing	R14,000	Full Wrap
<b>Total Cost</b>	<b>R395676.00</b>	<b>Cost can be reduced if own vehicle is suitable or second hand vehicle is procured.</b>

### 5.3 Initial Working Capital:



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Calculation of the initial working Capital required of R60,00.00 is based on the simplified forecast "Appendix 6" as attached.

Assumptions used in the forecast:

- Based on a 1 Van 2-man team
- Owner initially part of team and does not draw salary for first 6 months.
- Operates from home – allowance made for some increased cost of services.
- Cost of sales is for Chemicals required. Current Franchisees operate on 8%-10%. We have conservatively allowed for 12,5%.
- Calculations are based on you having the cash available for the Total Initial investment required.
- Initial working Capital of R60,000 is conservative and based on the first 3 months expenditure after which the Business should become self-funding.

## **Note:**

The projections are in no way any Guarantee from the Franchisor to the Franchisee or any other party that the figures represented will be achieved.

Franchisee acknowledges that the business venture is speculative and involves business risks dependent on the ability and efforts of the Franchisee

Franchisor expressly disclaims the making of any warranty, and or undertaking, expressed or implied as to the success of the business.

## **5.4 Total investment required:**

Total initial investment required is R 395676 Inclusive of the Initial Fee, Establishment Cost and Initial working Capital

Chem-Dry SA does not provide any funding, but will assist potential Franchisees with the required application, business plans and submittals required by financial institutions.

Chem- Dry does not require any deposits or down payments.

## **5.5 Ongoing amounts payable to Franchisor:**

### **Monthly fee:**

A monthly Franchisee Fee of R1750.00 exc. Vat. Payable via debit order on the 10<sup>th</sup> of each month.

The monthly Franchise Fee include for the Training and Operational assistance as per Clauses 8 and 9 of the Agreement and 4.6 above.

The Fee escalates each year on a compounded basis by the greater of the Consumer Price Index for the previous year or 10%.

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## National Advertising Budget. (NAB)

(NAB). Contributions are area dependent and vary from R1300.00 to R2100.00 per month. Contribution is Payable via debit order on the 20<sup>th</sup> of each month.

The Contribution to the NAB includes for the listing of the Franchisees in the White Pages telephone directory. The Establishment and maintenance of a franchisee specific Website and email address. Total contributions and expenditure are audited on an annual basis and management accounts are available quarterly

The total levy is calculated based on the actual listing cost in 2013 of the **Franchisee's** details in the relevant White and Yellow pages plus the amount of R277.11 for the cost incurred for; creating and maintaining a **Franchisee** specific website, email address, Search Engine Optimization and additional advertising for the **Franchisees** collectively.

Franchisees participation in the spending and allocation of funds are appreciated and are also part of the biannual Conference agenda for discussion, revision and agreement.

All excess NAB funds are deposited in a separate bank account.

## 5.6 Selling Price of the Franchised Business;

Should you wish to sell your business in the future you can reasonably expect to get a multiple 3-4 times your net annual profit.

This is based on the re-sales we have had in the past 36 months. Most recent re-sale currently in process is being negotiated at a multiple (PE) of 3.2

Therefore, based on an annual net profit of R100,000 you should be able to sell your business for between R300,000 and R400,000.

Other factors that will have an influence on your selling price will be the size (number of clients) on your Database as well as any long-term contracts you may have concluded.

## 6. General

Chem-Dry SA currently has 57 Franchises. One new Franchise licenses was issued during the preceding 12month period. Chem-Dry SA does not own or operate any Franchise in its own right.

For the financial period ending March 2019 we had a Turnover of R 6,010,802 with a net profit after taxation of R1,158,454. Growth in Turnover was -10 % with a growth in margin of 15%

Signed:



Owner/Manager



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## **7. Accompanying Documentation – see Documentation tab on [www.chemdryfranchise.co.za](http://www.chemdryfranchise.co.za)**

7.1 Chem-Dry Organogram - Appendix 1

7.2 List of Current Franchisees – Appendix 2

7.3 List of Franchises opened during the last 36 Months – Appendix 3

7.3 BEE Certificate- Appendix 4

7.4 Auditors Statement- Appendix 5

7.6 Simplified projected Income Forecast –Will be made available on receipt of a completed application form and in principle approval of the Applicant.

7.7 Financial Declaration. Appendix 7

7.8 Industry Code for the Franchise Industry of South Africa. Appendix 8