
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our growth strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$50.5 per Share (being the mid-point of the Offer Price range of between HK\$46.0 and HK\$55.0 per Share), we estimate that we will receive net proceeds of approximately HK\$515 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 90% of the net proceeds, or HK\$464 million, will be used over the next two years to expand our store network. In the past few years, China’s pizza market has experienced robust growth, with its total market size growing from RMB22.8 billion in 2016 to RMB33.5 billion in 2019, representing a CAGR of 13.7%, according to the Frost & Sullivan Report. Although the size of the China pizza market fell slightly to RMB30.5 billion in 2020 as a result of the impact of the COVID-19 pandemic, China’s pizza market regained momentum in 2021 and continues to expand in 2022 and beyond, with its market size expected to grow from RMB37.5 billion in 2022 to RMB77.1 billion in 2027, representing a CAGR of 15.5%. There is significant whitespace in the China pizza market, which remains underpenetrated compared to countries with similar food cultures. For example, in 2022, there were only 11.7 pizza stores per million people in China, as compared to 29.5 and 30.0 in Japan and South Korea, respectively, according to the Frost & Sullivan Report. In light of this significant market opportunity, we believe our focused business model makes us well-positioned to capitalize on the fast-growing China pizza market, with our established brand awareness contributing to drive long-term growth. We will both deepen our penetration in existing cities and expand our presence to new cities. We will focus on opening stores in China’s Tier 1, New Tier 1 and Tier 2 cities, which have significant whitespace for growth, according to the Frost and Sullivan Report. Specifically, we plan to open approximately 180 new stores and approximately 240 new stores in 2023 and 2024, respectively, primarily in cities close to our three existing central kitchens located in Northern China, Eastern China and Southern China, as well as where our new central kitchens will be established. For details of our planned store network expansion, see “Business – Our growth strategies – Rapidly increase the number of our stores” and “Business – Our Domino’s Pizza store network – Growth of our store network”.

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We therefore plan to use 90% of the net proceeds over the next few years to expand our store network by funding the initial capital expenditure of our new stores, which is approximately RMB1.5 million per store. This initial capital expenditure primarily includes the design, renovation and decoration for the new stores. The table below sets out the expected capital expenditures for store openings in 2023 and 2024 that we intend to fund by utilizing the proceeds of the Global Offering:

Year	Number of stores	Estimated investment amount <i>(HK\$ in millions)</i>	Percentage of net proceeds
2023	180	313.0	60.7%
2024	87*	150.7	29.3%
Total	267	463.7	90.0%

* Only consists of new store openings we plan to fund by utilizing the proceeds of the Global Offering. Should the proceeds be decreased due to downward offer price adjustment, we would adjust the proceeds used to open stores proportionally.

The table below sets out the expected use of these initial capital expenditures by usage, based on historical amounts:

Usage	Percentage of initial capital expenditures
Design and construction	30%
Procurement and installation of kitchen equipment and air conditioners	46%
Procurement of computers and related IT software	7%
Others	17%
Total	100%

- The remaining balance of approximately 10% of the net proceeds, or HK\$52 million, will be used for general corporate purposes.

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We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set out in the following table:

	Based on an Offer Price of HK\$41.4 per Share, after a Downward Offer Price Adjustment of 10%	Based on the low-end of the proposed Offer Price range of HK\$46.0	Based on the middle-end of the proposed Offer Price range of HK\$50.5	Based on the high-end of the proposed Offer Price range of HK\$55.0
Assuming the Over-allotment Option is not exercised	Approximately HK\$403 million	Approximately HK\$460 million	Approximately HK\$515 million	Approximately HK\$571 million
Assuming the Over-allotment Option is exercised in full	Approximately HK\$480 million	Approximately HK\$545 million	Approximately HK\$608 million	Approximately HK\$672 million

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will only place such funds as short-term deposits with licensed banks and/or authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws of the PRC). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.