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Seafood and Processing industries.**



Image: Freewechat / FIS

Chinese eat 900,000 TN of squid per year. Ocean Family will pay almost CNY 900M (USD 130.93M) in dividends



CHINA

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The Chinese eat 900,000 tons of squid a year. This ocean fishing company is about to pay dividends of nearly 900 million yuan (USD 190.93 M) in an initial public offering, but needs to raise 500 million yuan (USD 72.74 M) to replenish working capital



There are already 4 companies listed under its umbrella, and the "Wanxiang Department" under the leadership of Lu Weiding, the son of the "Godfather of Zhejiang merchants" Lu Guanqiu, can further expand its capital map. In early March, the official website of the Shanghai Stock Exchange disclosed the prospectus filed by Ocean Family (Zhejiang) Co., Ltd. (hereinafter referred to as Ocean Family).

It should be noted that the majority shareholder of **Ocean Family** is Wanxiang Sannong Group Co., Ltd. (hereinafter referred to as Wanxiang Sannong), which is 100% owned by Lu Guanqiu Sannong Fuzhi Fund. During the reporting period, **Ocean Family distributed a total of nearly 900 million yuan (USD 130.93 M) in dividends. In this initial public offering, Ocean Family plans to raise 500 million yuan (USD 72.74 M) to supplement working capital in addition to raising 1.1 billion yuan (USD 160.3 M) for investment and expansion.**

At the management level, Ocean Family has a slogan: "Buy the world, sell the world."

It sources marine products such as tuna, squid, and shrimp through ocean fishing and procurement, and then sells them directly as raw fish or processed products. With these "gifts from the ocean", the annual revenue during the reporting period increased from more than 3 billion yuan (USD 436.44 M) to nearly 4 billion yuan (USD 581.92 M).

The "Daily Economic News" reporter also noted that in recent years, **in addition to selling raw fish and processed foods, Ocean Family has also entered the catering industry,**



Lu Weiding

CEO

Wanxiang Sannong Group Co., Ltd.

opening tuna experience shops, seafood counters, etc. , but these businesses have not yet brought profit.

China eats 900,000 tons of squid a year



Source: Ocean Family

How popular is squid in our country? The Ocean Family brochure revealed the truth: **the annual consumption of squid in the world is more than 2.7 million tons, and the consumption of squid in my country reaches 800,000 to 900,000 tons**, and one third of the squid in the world world are eaten each year by "self-authorization". dependency", converted to annual per capita consumption is 1.27 catties/person.

Behind the country of large consumption of squid, my country's squid production has also seen a substantial increase. Zhongshui Fishery (SZ000798, stock price 1,150, market value 4.207 million yuan (USD 612 M)) announced many years ago that in 1998, my country's squid catch was only 30,000 tons, accounting for 100,000 tons of squid in the world, 2.47% of squid production. At present, pelagic squid fishing has become one of the pillar industries of my country's ocean fishing, according to Ocean Family's prospectus, by the end of 2019, the domestic production of pelagic squid has reached more than 400,000 tons, accounting for 20% of world squid production , ranking first in the world for many years.

Squid is one of Ocean Family's main sales products. The company owns 11 squid fishing boats, and mainly sources and sells squid through ocean fishing. From 2019 to 2021, Ocean Family's squid production will be 16,200 tons, 29,700 tons and 21,400 tons, which represents 3.75%, 5.71% and 3.34% of the national production, which corresponds to annual sales of 16,200 tons, 14,100 tons, and 23,700 tons, respectively, and revenue of 389 million yuan, 329 million yuan, and 444 million yuan.

单位：万吨

项目	2021 年度		2020 年度		2019 年度	
	金枪鱼	鱿鱼	金枪鱼	鱿鱼	金枪鱼	鱿鱼
大洋世家产量	4.08	2.14	4.79	2.97	4.66	1.62
全国产量	32.23	64.01	32.74	52.03	42.38	43.28
比例	12.67%	3.34%	14.63%	5.71%	11.00%	3.75%

数据来源：全国产量数据来源于《中国渔业统计年鉴》，其中鱿鱼产量包括北太鱿鱼、阿根廷鱿鱼和秘鲁鱿鱼等不同鱿鱼品种，公司捕捞的鱿鱼为阿根廷鱿鱼。

Source: Baidu

Another star product of Ocean Family is tuna, from 2019 to 2021 Ocean Family's tuna production will be 46,600 tons, 47,900 tons and 40,800 tons respectively, representing 11%, 14.63% and 12.67% of production. national. **It should be noted that Ocean Family's tuna products include raw fish, processed products, fish meat, etc.**, so it is impossible to directly count sales volume and revenue from tuna sales.

Judging by the production rate of more than 10%, Ocean Family is undoubtedly one of the national giants of tuna. However, if it wants to become a real "Big Brother of Tuna", in the A-share market, Ocean Family still has two big mountains to go In the past, one is Zhongshui Fishery mentioned above, and the other is Chuangjian International (SH600097, share price 10.67 yuan, market value 2.571 million yuan).

Pioneer International presented in its 2021 annual report that in 2021, **the company's tuna purse seine fleet will catch 109,800 tons of fish. In the central and western Pacific fishing zone**, the company has achieved 52.02% of the total production of the domestic purse seine tuna industry with 42.86% of the number of boats, and the annual production of two boats occupies the top two in the country.

Although Zhongshui Fishery's annual tuna catch is only about 15,000 tons, the company announced that it currently has 74 ocean fishing vessels of various types. It is a professional rope fishing company and the only company in my country that has an international network. bluefin tuna fishing quota.

Tuna props up revenue, squid contributes to gross margin

Although tuna catches or fishing boats are not as good as the pioneers in midwater and international fishing, Ocean Family's income scale far exceeds the sum of these two companies. In the past two years, Zhongshui Fishery's annual revenue has been less than 500 million yuan (USD 72.74 M), and Chuangjian International's has been less than 2 billion yuan. **Ocean Family's operating income from 2019 to 2021 reached 3.158 billion yuan (\$459M), 3.28 billion yuan (\$477M) and 3.939 billion yuan (\$573M), respectively, and the corresponding net profit was of 260 million yuan (USD 37.82 M), 198 million yuan (USD 28.81 M) and 392 million yuan (USD 57.03 M), of which tuna revenue accounted for a larger proportion.**

How to catch up with the income ladder in the context that the fishing capacity is not as good as its peers? Ocean Family's "secret" is "global acquisition." In a nutshell, Ocean Family purchased a large quantity of tuna in addition to their own catch.



(1) 按产品分类的主营业务收入情况

项目	2022 年 1-6 月		2021 年度		2020 年度		2019 年度	
	金额 (万元)	占比 (%)	金额 (万元)	占比 (%)	金额 (万元)	占比 (%)	金额 (万元)	占比 (%)
远洋捕捞产品	48,953.52	26.90	98,484.25	25.35	107,448.43	33.41	97,612.74	31.44
其中：金枪鱼原鱼	19,567.32	10.75	54,075.74	13.92	74,525.80	23.17	58,699.70	18.91
鱿鱼	29,386.20	16.15	44,408.51	11.43	32,922.63	10.24	38,913.04	12.53
水产加工食品	39,843.20	21.89	124,498.64	32.05	114,080.33	35.47	119,503.12	38.49
其中：超低温金枪鱼加工品	13,998.59	7.69	29,309.05	7.55	20,162.05	6.27	32,249.43	10.39
冻煮金枪鱼肉	12,997.82	7.14	61,120.64	15.74	59,380.10	18.46	60,329.83	19.43
罐头及其他产品	12,846.79	7.06	34,068.94	8.77	34,538.19	10.74	26,923.86	8.67
冷冻冰鲜水产品	91,682.60	50.37	162,215.05	41.76	97,918.90	30.45	89,845.79	28.94
餐饮	1,529.23	0.84	3,235.72	0.83	2,159.67	0.67	3,486.71	1.12
合计	182,008.55	100.00	388,433.66	100.00	321,607.33	100.00	310,448.36	100.00

Source: Baidu

Ocean Family also admits that the total amount of fishing in the ocean is affected by fishing technology, fish stocks, and the marine environment. From 2019 to 2021, the amount of ultra-low temperature tuna caught will decrease year by year, from more than 7,000 tons to less than 6,000 tons. The annual catch of net tuna and squid also fluctuates greatly.

Faced with fluctuating catches, **Ocean Family can only rely on subcontracting to ensure market sales.** Whether it is raw ultra-low temperature tuna or raw purse seine tuna, the annual subcontracting rate is over 60%, while squid is mainly from own catch.

报告期内，公司主要捕捞产品为超低温金枪鱼原鱼、围网金枪鱼原鱼和阿根廷鱿鱼，上述产品的外购和自行捕捞情况如下：

产品	项目	2022 年 1-6 月		2021 年度		2020 年度		2019 年度	
		数量 (吨)	比例 (%)	数量 (吨)	比例 (%)	数量 (吨)	比例 (%)	数量 (吨)	比例 (%)
超低温金枪鱼原鱼	自行捕捞	3,014.01	39.76	5,989.72	39.80	6,317.84	29.66	7,026.92	29.12
	外购	4,566.33	60.24	9,060.96	60.20	14,981.99	70.34	17,101.11	70.88
	合计	7,580.34	100.00	15,050.68	100.00	21,299.83	100.00	24,128.03	100.00
围网金枪鱼原鱼	自行捕捞	19,617.00	68.95	34,856.00	39.17	41,559.00	46.38	39,586.00	37.17
	外购	8,832.39	31.05	54,122.15	60.83	48,037.19	53.62	66,927.68	62.83
	合计	28,449.39	100.00	88,978.15	100.00	89,596.19	100.00	106,513.68	100.00
阿根廷鱿鱼	自行捕捞	24,014.31	99.99	21,364.90	99.95	29,650.67	98.92	16,249.51	100.00
	外购	3.35	0.01	10.23	0.05	322.78	1.08	0.26	0.00
	合计	24,017.66	100.00	21,375.13	100.00	29,973.45	100.00	16,249.77	100.00

Source: Baidu

The cost of outsourcing is naturally higher than the cost of owning catch, which is one of the reasons for the low gross profit margin of oceanic family tuna. The gross profit margin from 2019 to 2021 is only 5.53%, 1.16% and 6.81% respectively, while the gross profit margin of squid is as high as 54.93%, 62.64% and 51.43% in the same period.

The reporter noted that it is these self-caught squid that have become the key to Ocean Family's profitability. From 2019 to 2021, **Ocean Family's core business gross profit margins are 14.81%, 13.09% and 12.56 %**. a proportion of around 10% contributed 6.89%, 6.41% and 5.88% respectively.

NBD
数据

	鱿鱼收入占比 (%)	主营业务毛利率 (%)	鱿鱼毛利率 (%)	鱿鱼毛利率贡献 (%)
2019年	12.53	14.81	54.93	6.89
2020年	10.24	13.09	62.64	6.41
2021年	11.43	12.56	51.43	5.88

Source: Baidu

If only the own-caught tuna gross profit rate is calculated, what will happen? The reporter also tried to contact Ocean Family for an interview on this topic, but received no response.

Maybe we can catch a glimpse of one or two of the industry data. In the above fishing data introduction, we also know that the international tuna self-catch capacity building and gross profit margin of the company's raw purse seine tuna sales from 2019 to 2021 respectively reached 29.37%, 37.70%, and 34.48%. During the same period, Ocean Family, which relied on outsourcing, had just 11.03%, 19.65%, and 20.19%, respectively.

The profitability of selling raw fish from ocean fishery products has always been limited, so in addition to reprocessing, Ocean Family is also thinking about how to expand sales channels.

According to the prospectus, **since 2011, Ocean Family has started to do strategic layout in the field of terminal sales and has established an offline store consisting of tuna brand experience stores, excellent seafood counters, and food delivery catering in first and second tier cities such as Beijing, Shanghai, Hangzhou and Nanjing.** The direct sales system has also formed cooperation with Hema Fresh and Haidilao. These two well-known brands have also made Ocean Family's top five direct sales customers list.

However, during the reporting period, **Ocean Family still has significant room for growth in revenue and profitability from directly operated catering stores.** From 2019 to 2021, the store's revenue was 53.6383 million yuan, 32.4055 million yuan, and 39.2382 million yuan, with losses of 4.6675 million yuan, 4.4637 million yuan, and 2.3652 million yuan each year. Perhaps affected by the epidemic situation during the reporting period, in 2019, Ocean Family had 15 directly operated restaurants, but by 2021, only 11 stores will remain.

Dividends of nearly 900 million in three years, but to raise 500 million yuan to supplement working capital?

The "Daily Economic News" reporter found that, in fact, **according to the official website of the China Securities Regulatory Commission, as early as June 2021, a company named "Zhejiang Ocean Family Co., Ltd." pre-release update. After the launch of the comprehensive registration system this year, Ocean Family completed the translation before the deadline for translation of IPO share projects on the main board (March 3).**



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首次公开发行股票招股说明书

(申报稿)

保荐机构(主承销商)





Ocean Family fishing grounds for squid and tuna

It should be noted that the official website of the Shanghai Stock Exchange shows that the IPO of the main board of "Ocean Family (Zhejiang) Co., Ltd." has been currently accepted, and the new prospectus also mentions that it used to be called "Zhejiang Ocean Family Co., Ltd.". In other words, **Ocean Family changed its company name during the IPO period. The reporter inquired on the Qichacha platform that Ocean Family completed the industrial and commercial registration of the name change in January 2022. However, the prospectus did not further explain the reason for the name change** and the reporter was unable to get a response through interviews.

Ocean Family, which is participating in this initial public offering, has the same stakes as Chengde Lulu (SZ000848, share price 8.83 yuan, market value 9.505 billion yuan USD 1,382.79 M)) and Wanxiang Denong (SH600371, share price shares 12.90 yuan (USD 1.88), market value 3.774 million yuan (USD 540 M) under the "Wanxiang Department". Shareholder - Wanxiang Sannong, 90% of the shares of the Dayang family are directly held by Wanxiang Sannong, and the remaining 10% of the shares are held by Dayang Investment's holding platform; at the same time, Wanxiang Sannong is also a partner of 99% of the people of Dayang Investment.



Source: Ocean Family

More insight, **the sole shareholder of Wanxiang Sannong is Lu Guanqiu Sannong Fuzhi Fund (hereinafter referred to as Fuzhi Fund), and the actual controller behind it is Lu Weiding.** Ocean Family introduced in the prospectus that the Fuzhi Fund is a charitable trust established by Lu Weiding for charitable purposes. Its main objective is to carry out charitable activities. There is no specific beneficiary of the trust, and Lu Weiding and his family members do not enjoy trust interests.

Although there are only two direct shareholders, all Wanxiang Sannong, Fuzhi Fund and Lu Weiding, during the reporting period, Ocean Family also distributed dividends many times. According to the disclosure in the prospectus, in 2019, **Ocean Family completed dividends in 2017 and 2018, which were 409 million yuan and 135 million yuan, respectively. In addition, a dividend of 162 million yuan (\$23.57M) will be distributed in 2020 and a dividend of 189 million yuan (\$27.5M) will be distributed again in 2021. During the reporting period, the total amount of the dividend reached 895 million yuan (USD 130.2 M).**

During the reporting period, the dividend was 895 million yuan (USD 130.2 million), almost equivalent to Ocean Family's net profit in recent years. The reporter did not find Ocean Family's operating data in 2017, but according to prospectuses successively disclosed by Ocean Family, its net profit attributable to the parent for the full four fiscal years from 2018 to 2021 was 226 million yuan (USD 32.88 M), 238 million yuan (USD 34.62 M). , 172 million yuan (USD 25.02 M) and 376 million yuan (USD 54.7 M), and the total net profit attributable to the parent in four years is 1,012 million yuan (USD 147.23 M). If 2021 data is deducted, the total in the first three years is only 636 million yuan (\$92.53 million), which is even lower than the aforementioned dividend amount.

项目	2022 年 1-6 月/ 2022 年 6 月 30 日	2021 年度/ 2021 年 12 月 31 日	2020 年度/ 2020 年 12 月 31 日	2019 年度/ 2019 年 12 月 31 日
资产总额（万元）	330,120.77	302,719.22	281,219.30	276,169.04
归属于母公司所有者权益 （万元）	126,434.69	102,808.02	91,159.69	90,038.19
资产负债率（母公司）（%）	63.78	68.18	72.17	70.53
营业收入（万元）	183,507.04	393,865.29	327,975.61	315,831.59
净利润（万元）	23,393.96	39,170.71	19,752.44	26,020.14
归属于母公司所有者的净利润 （万元）	23,179.63	37,583.42	17,158.22	23,767.01
扣除非经常性损益后归属于母 公司所有者的净利润（万元）	20,461.83	30,263.68	12,055.42	15,639.76

Source: Baidu

How does the controlling shareholder Wanxiang Sannong handle the dividends it received from Ocean Family? **Ocean Family's indirect controlling shareholder is a charitable trust, and all property of this institution is used for other charitable activities.** Does this include the amount of Ocean Family's dividends? The reporter also contacted Ocean Family for an interview on these issues, but received no response.

In the previous comments from the China Securities Regulatory Commission, the identity of the Fuzhi Fund was also concerned. The necessary comments to explain whether the Fuzhi Fund is qualified to invest in the issuer, the investment operation structure and the management of the Fuzhi Fund, etc. . In addition, the comments also called for Ocean Family to further explain the rationale for large dividends during the reporting period and the specific use of dividends in response to prior dividends.

At the same time as the generous dividends, Ocean Family launched an initial public offering, planning to raise 1.6 billion yuan (\$232.77M), of which 1.1 billion yuan (\$160.03M) will be invested in the "Refrigerated Logistics Base Project Ocean Food Processing Unit of Ocean Family", and another 500 million yuan (USD 72.74M) will be invested in Ocean Family, he explained that replenishing working capital through fundraising projects can improve the financial strength of the company , relieve short-term debt payment pressure and reduce financial expenses.

序号	项目名称	项目投资总额 （万元）	拟使用募集资金 额（万元）
1	大洋世家海洋食品加工冷藏物流基地项目	128,274.00	110,000.00
2	补充流动资金及偿还银行贷款	50,000.00	50,000.00
合计		178,274.00	160,000.00

Source: Baidu

Source: Baidu (Translated from the original in Chinese)



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