



# uCloudlink

## 4Q and Full Year 2020 Earnings Presentation

March 2021



uCloudlink

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# 01

## Company Overview

## Founders' Story:

“To enable people to use mobile data traffic freely anytime, anywhere like breathing the air”

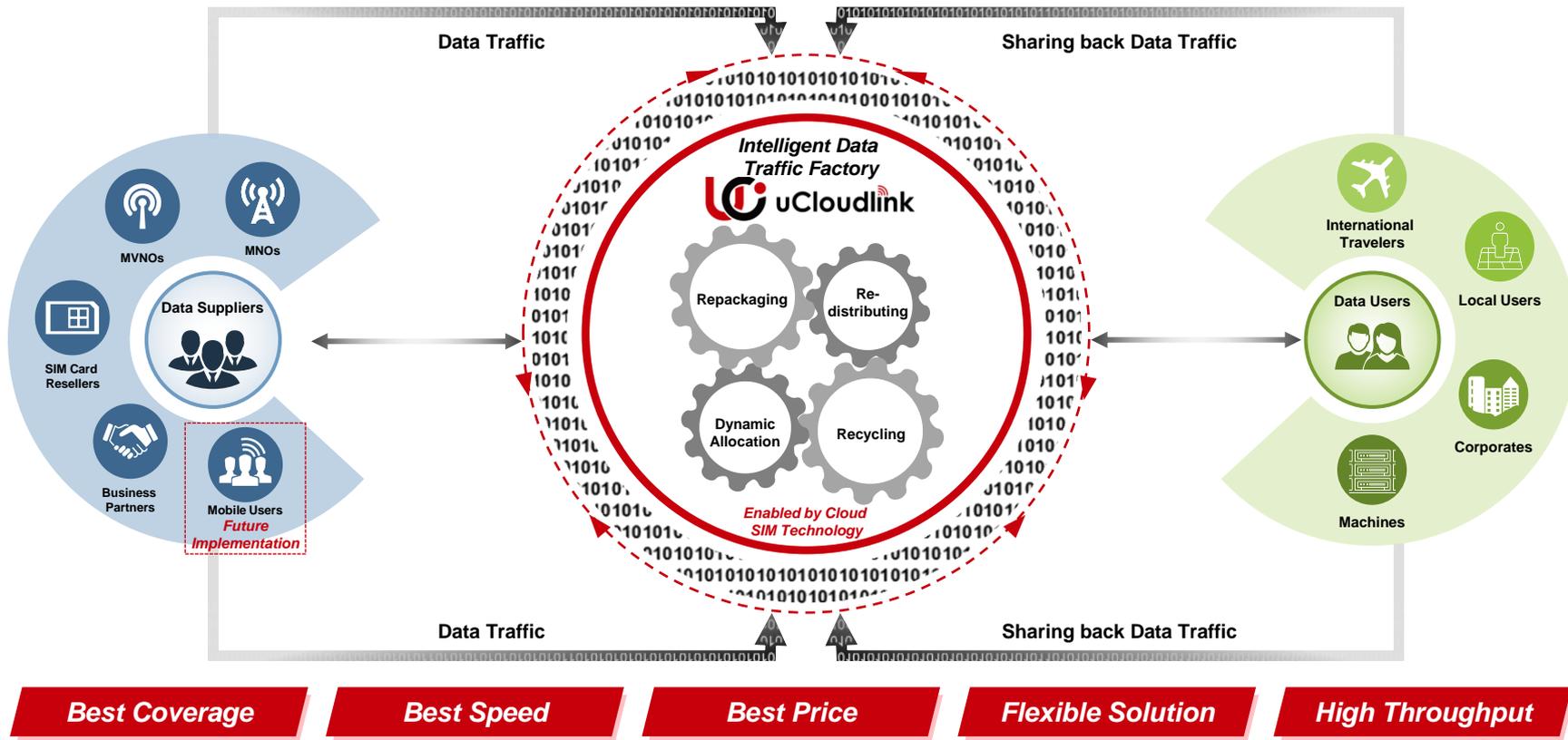
### Vision

**Connecting** and **Sharing** without  
**Limitations**

### Mission

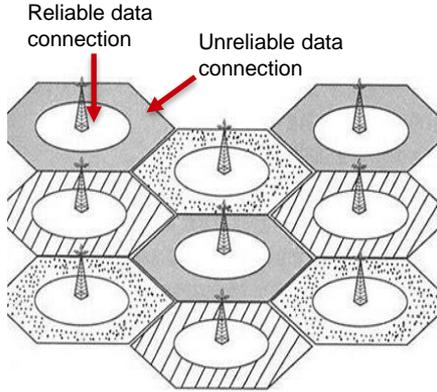
Make **the World More Connected** with  
**Maximized Network Utility** through the  
Power of **Mobile Data Traffic Sharing**

# The World's First and Leading Mobile Data Traffic Sharing Marketplace



# Innovatively apply “Navigation + Electronic Toll Pass” Concept to Data Connectivity Services Market

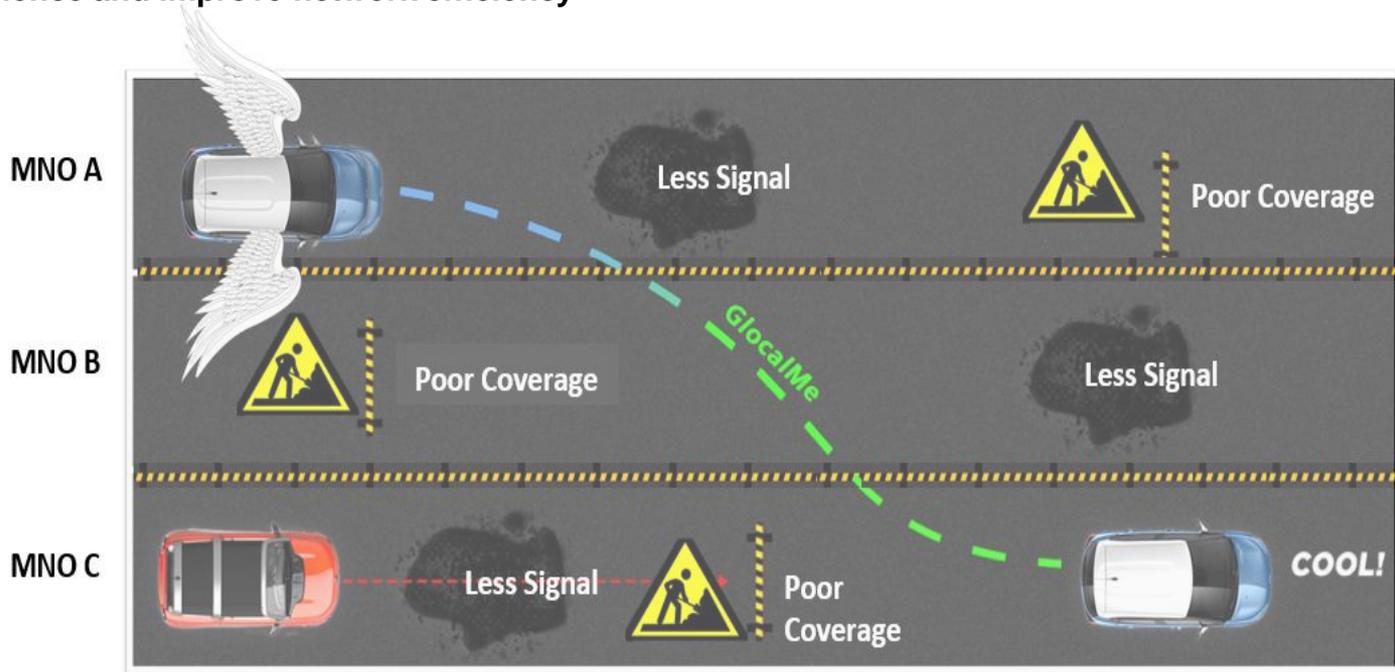
Help elevate user experience and improve network efficiency



## Users' Major Pain Points

We Always have Marginal Areas With Poor Network Coverage 

Our solution can make unreliable data connection to more reliable data connection, as show on the right chart of our solution



# Smart Multi-Network Reselection – The Engine of the 5G Cloud Era

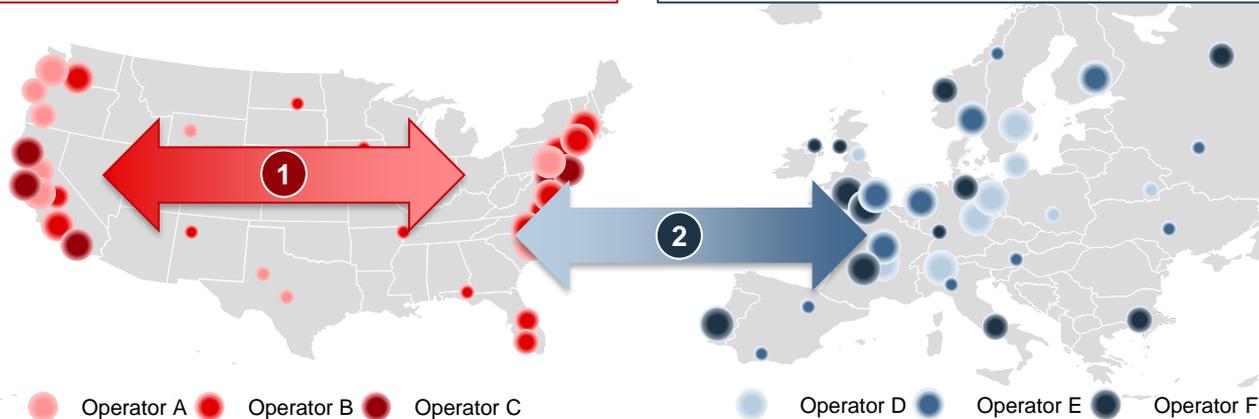
Smart multi-network reselection technology of Cloud SIM - Accelerating the 5G Cloud Era

**1 Local 5G**

- Challenge: limited network coverage and lack of network sharing
- Cloud SIM Solution: Connects local 5G networks across carriers

**2 Global 5G**

- Challenge: high latency due to roaming, host-carriers imposing speed / usage limits on 5G
- Cloud SIM Solution: Global 5G connectivity without limitations



**GLOBAL**  
**5G enabler**

**To Users**  
*Global 5G access*

**To Carriers**  
*Coverage Solution*

**To Vendors**  
*Empowers 5G devices*

Smartphones

Mobile BB

CPE

IoT

# The Evolution of Cloud SIM Business Models

Increasingly Platform-centric

## Stage 1: B2C Retail

## Stage 2: B2B2C Wholesale

## Stage 3: PaaS/SaaS Platform

### Business Model Description

- uCloudlink sells or leases GlocalMe hardware and data packages to retail consumers



- uCloudlink sells GlocalMe hardware and data packages via local Business Partners

- uCloudlink's partners procure customized ODM<sup>(1)</sup> hardware and purchase data packages from UCL and own sources
- Partners rely on uCloudlink's PaaS/SaaS platform for SIM management

### Strategy

- Proof of Cloud-SIM Technology
- Proof of Scalable, Profitable Business Model



- Expedite Global Expansion
- Pool of 2,000+ Local Partners <sup>(2)</sup>

- Fast Expanding Global Partner Ecosystem, SIM Securely Locally Hosted by Partners
- Includes Data Management, Terminal Management, Sales and Rental of Terminals and Customers Management System to Further Facilitate End-users including C2C/C2B2C/B2B2C Models.

Note:

1. Original design manufacture; 2. As of December 31, 2020

# Our Innovative Cloud SIM Technology - Hyper Connectivity Facilitates Data Traffic Marketplace

Two Key Passes:

1

**Global roaming pass: Seed SIM**

2

**Local data connectivity pass: SIM Pool**

5

Authentication response of the remote SIM stored in the chipset to enable local connection to be established

1

Seed-SIM sends initial signal to server, including location and authentication details from available network

2

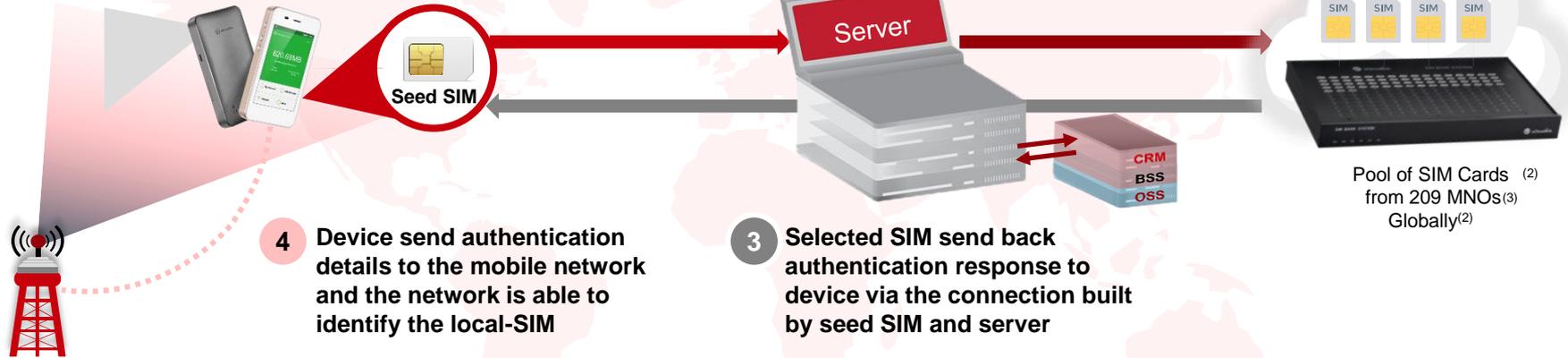
Server identifies SIM in the SIM pool with the optimal connectivity service

3

Selected SIM send back authentication response to device via the connection built by seed SIM and server

4

Device send authentication details to the mobile network and the network is able to identify the local-SIM



Pool of SIM Cards <sup>(2)</sup>  
from 209 MNOs <sup>(3)</sup>  
Globally <sup>(2)</sup>

153 Patents<sup>(1)</sup>

Software-based

Ready to Support All Three Generations of our Businesses

Notes:

- 1. As of December 31, 2020, with 74 patents approved and 79 patents pending approval, globally
- 2. As of December 31, 2020, Among these SIM cards, c.20% are owned by the Company with remaining SIMs owned by our PaaS customers
- 3. As of December 31, 2020

# Clear Growth Strategies Across Business Models

## Between Countries



### Strengthen Leadership Position



Enhance global **Distribution** channels



**Enhanced Experience** through GlocalMe Inside app to drive user stickiness. We provide superior data connectivity services to users backed by our PaaS and SaaS platform.



**Service Quality** with improved network connections quality and speed

2014

**c.US\$35bn \***

2023E International Data Roaming Market size

## Between Carriers



### Capture Local Data Connectivity Market Opportunity



**GlocalMe Inside App**, embedded, low friction, to become standard for local data connectivity



**Strategic Partnerships** with leading smart device manufacturers to increase distribution base. Business partners can management services to end-users via our PaaS and SaaS platform



**Localize Operations** in key markets by leveraging expertise of strong local business partners

2018

**c.US\$1,149bn \***

2023E Local Mobile Data Connectivity Market size

## Full Marketplace



### Data Traffic with Massive User Base



Capitalize **Scalable** user base accumulated through uCloudlink 1.0 and 2.0 models



Tested users access to **Complete Data Traffic** in trials and eliminate wastage

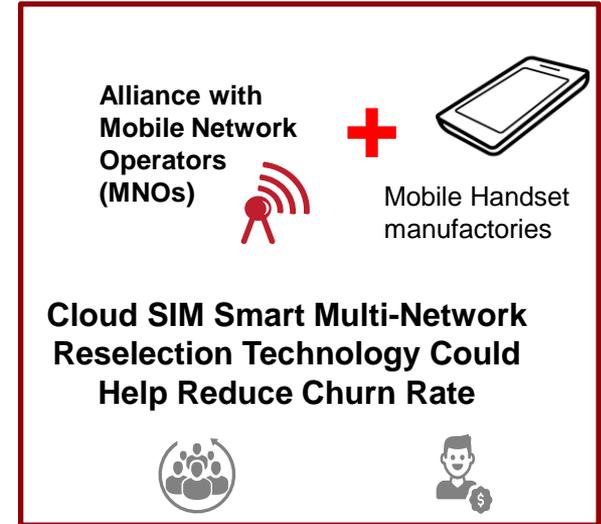
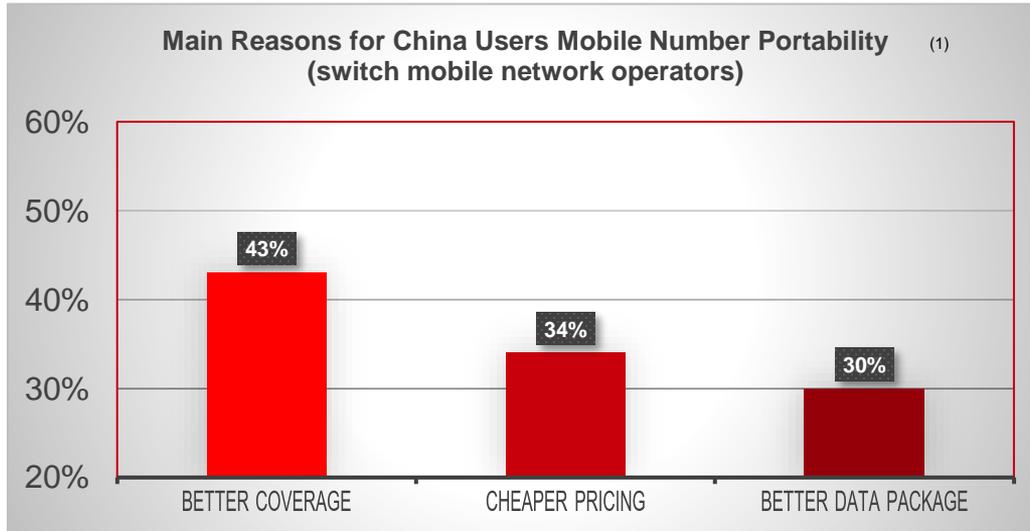


Gateway to **Digital Mobile Ecosystem** offering opportunities for VAS deployments

\*Finalized prototype APP in 2019



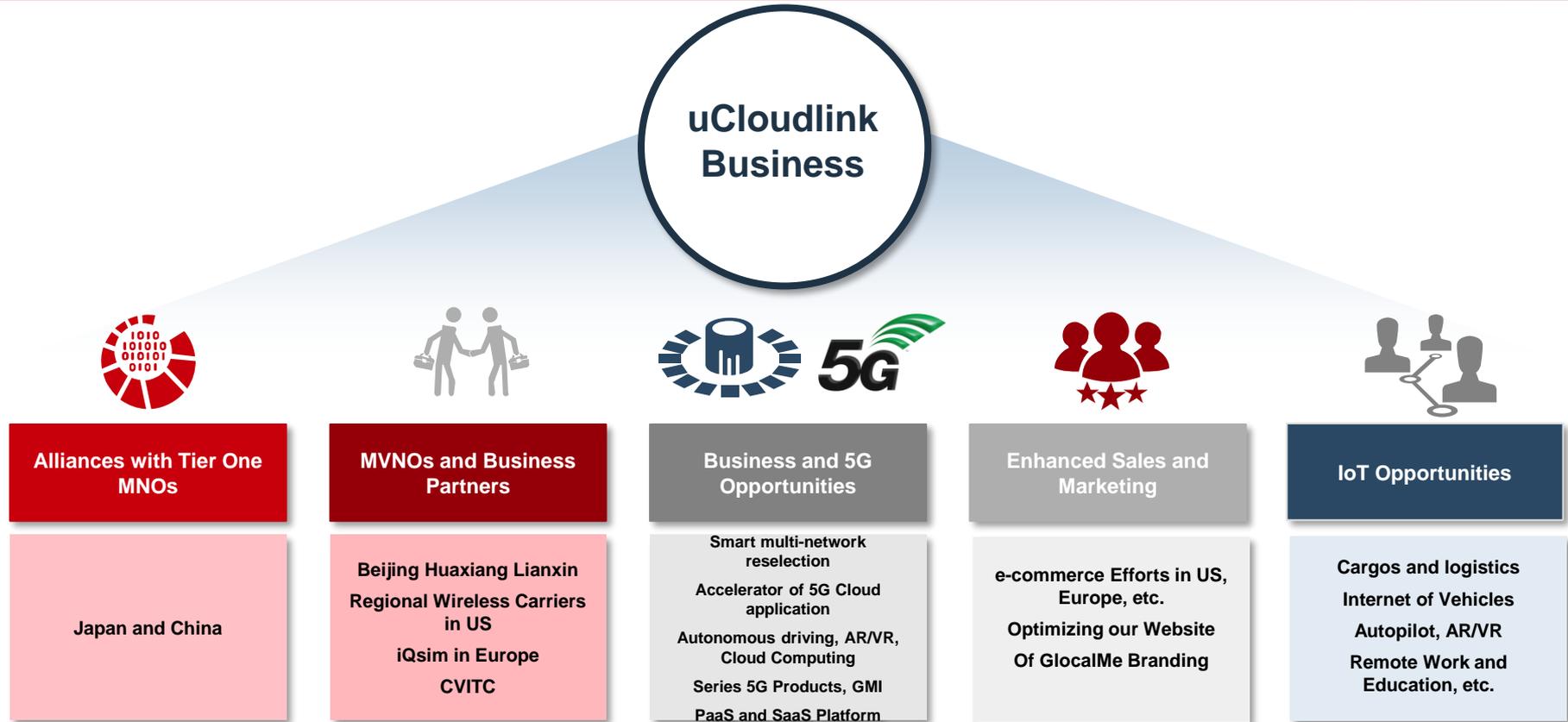
# Cloud SIM Technology Through PaaS and SaaS Platform Could Help Mobile Network Operators Decrease Churn Rate



Notes:

1. 1. China Academy of Information and Communications Technology (CAICT) March 2020 Research

# Strategic Development and 5G Opportunities of Our Business



# New Appointment of Chief Supply Chain Officer and Restructure of Senior Management

## Recent appointment of new Chief Supply Chain Officer

We announced recent role changes for senior management. Shubao Pei, Chief R&D Officer, assumed the role of Chief R&D Officer and Chief Supply Chain Officer, replacing Zhongqi Kuang in the latter role.

These changes took effect on January 27, 2021.

The move to restructure management roles was designed to better align senior leadership positions with the strategic development of our business, as we continue to improve operational efficiency and elevate supply chain management and deliver sustainable growth.

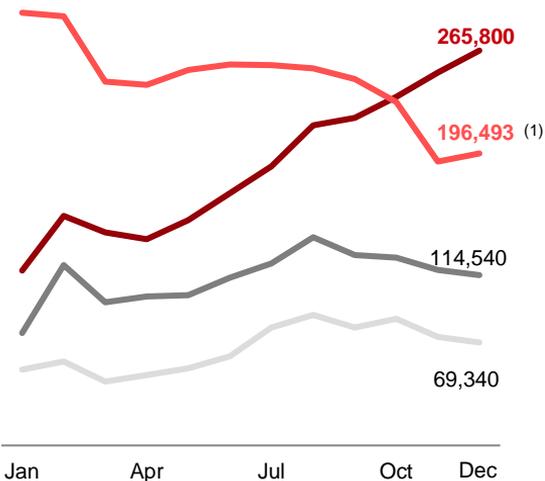
# 02

## 4Q 2020 Operating Highlights

# Our Business Performance and Operating Highlights

## Daily Active Terminals (DAT) <sup>(2)</sup>

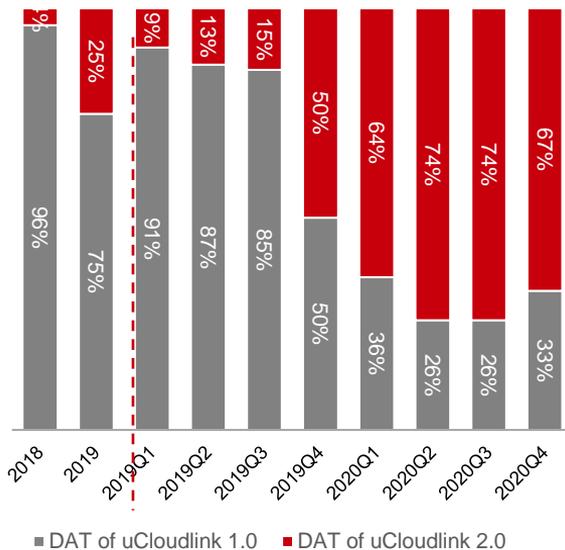
# Terminals



## DAT Breakdown by uCloudlink 1.0 vs. 2.0 <sup>(2)</sup>

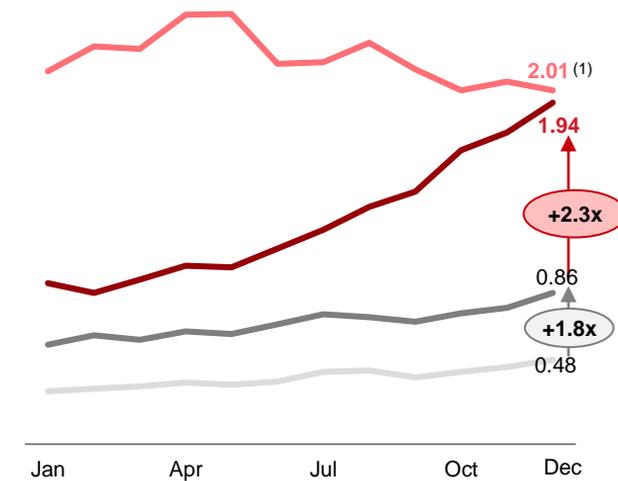
%

Strong uCloudlink 2.0 User Adoption



## Daily Data Usage per Terminal <sup>(2)</sup>

GB

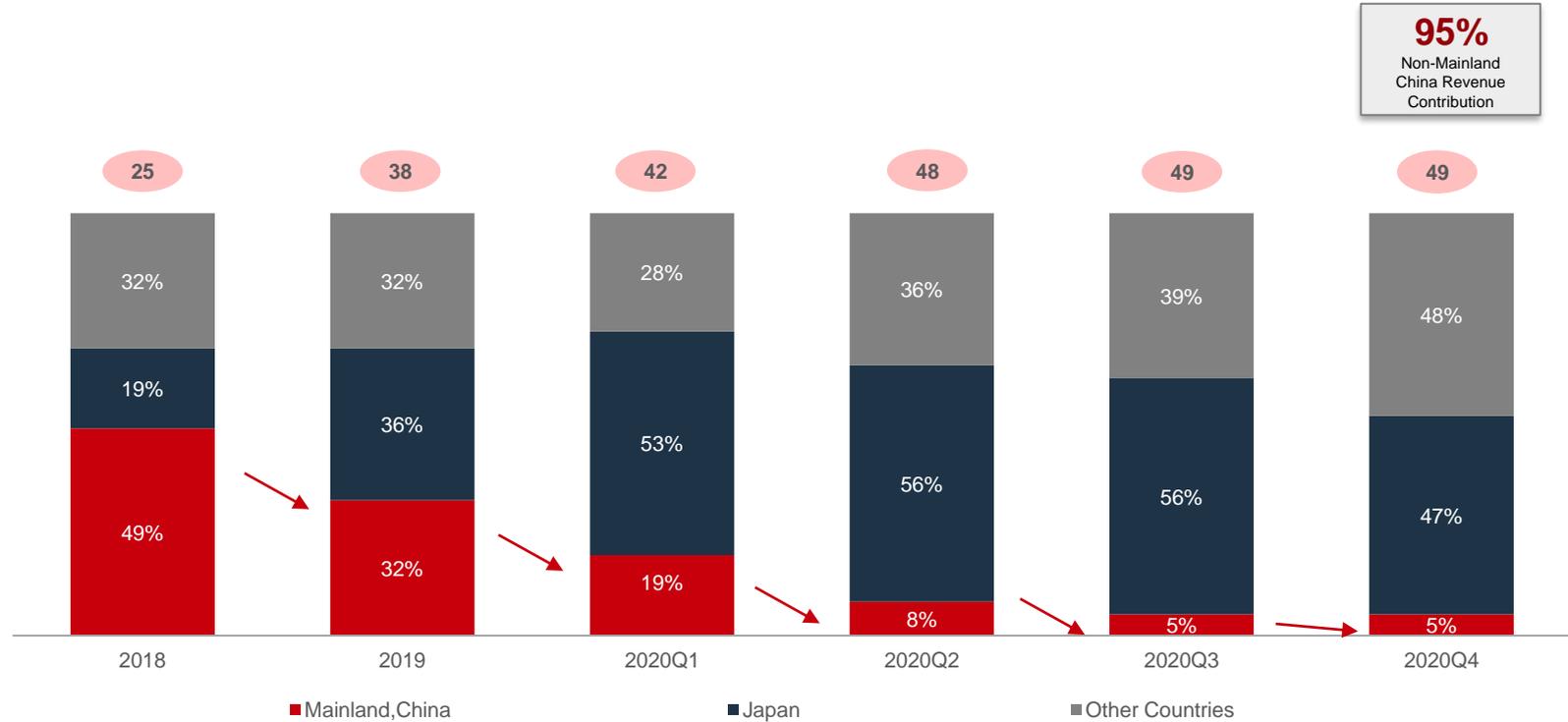


Note:

1. In December 2020

2. Average daily active terminals include terminals connected to our platform that are serviced by us or our business partners. Data consumed by the active terminals including data consumed by users who contributed to our revenues from data connectivity services and data consumed by users who did not contribute to such revenues.

# Our Business and Revenue Are Increasingly Diversified Globally



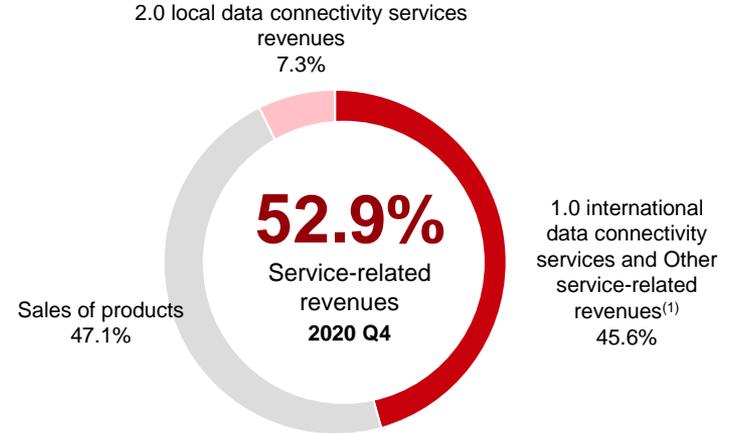
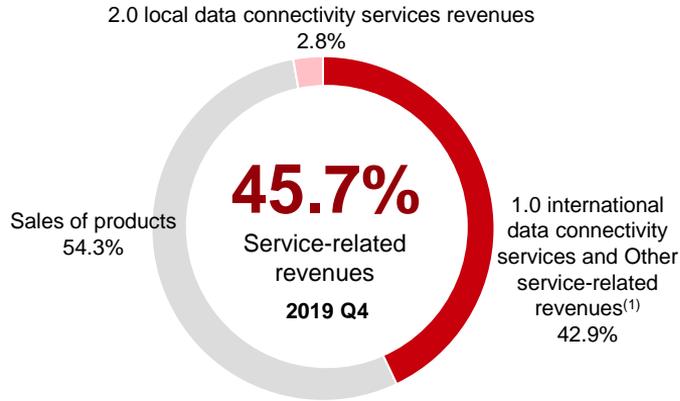
○ Number of countries and regions based on partners' registered location

# 03

## 4Q 2020 Financial Highlights

# Percentage of Our Service-Related Revenues and COVID-19 Impact

## Revenue segmentation based on product & services

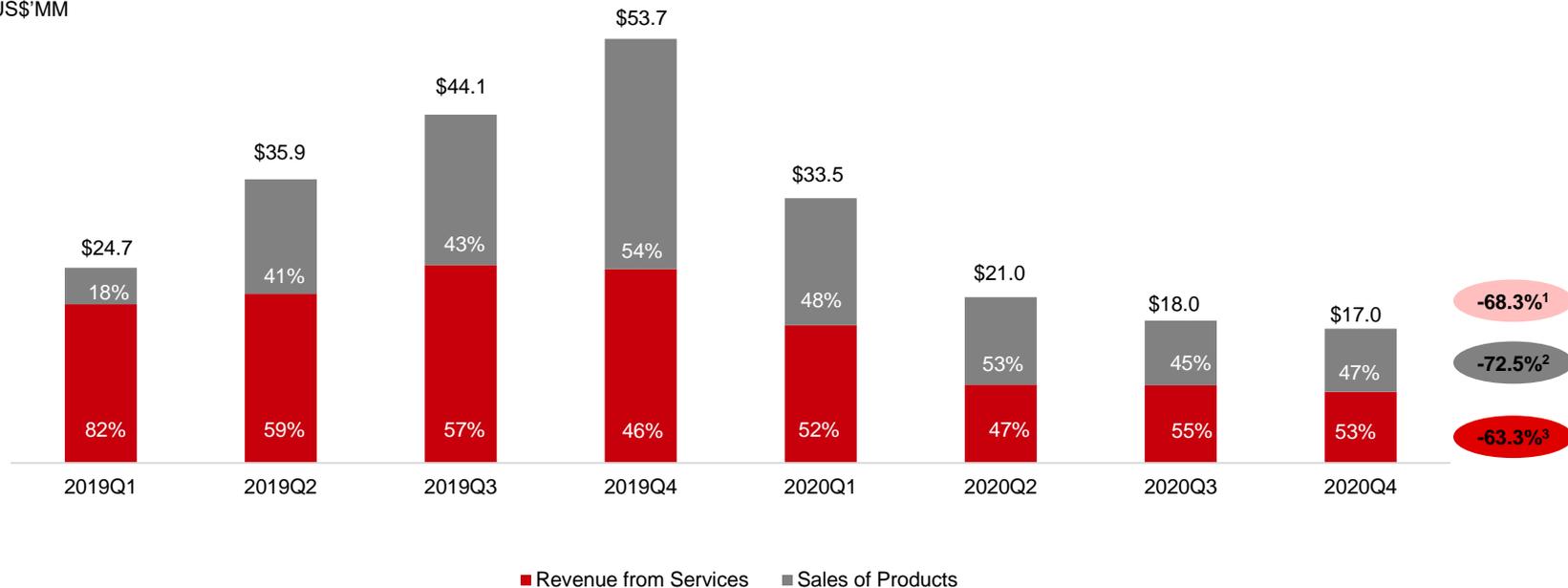


Note:

1. Other service-related revenues includes revenues from PaaS and SaaS services and others

# Revenue Breakdown By Our Two Business Segments

• Revenue, US\$'MM



-68.3%<sup>1</sup>

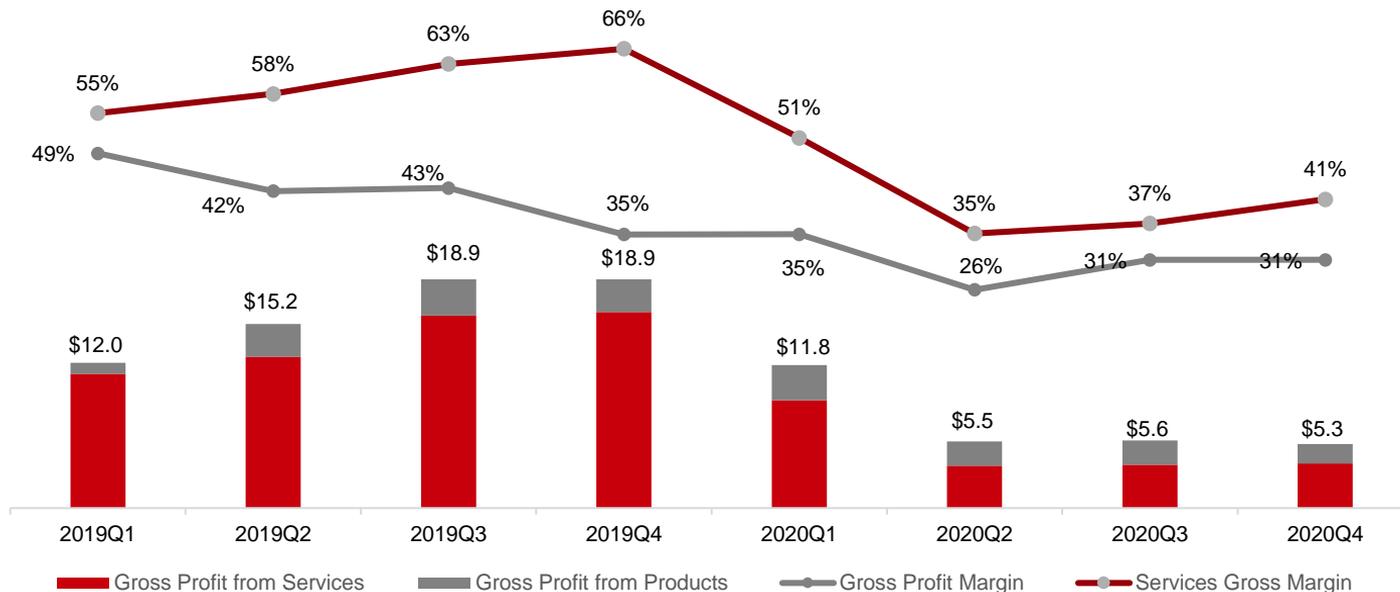
-72.5%<sup>2</sup>

-63.3%<sup>3</sup>

1. Q4 Total Revenue Year-over-Year growth
2. Q4 Sales of Products Year-over-Year growth
3. Q4 Revenue from Services Year-over-Year growth

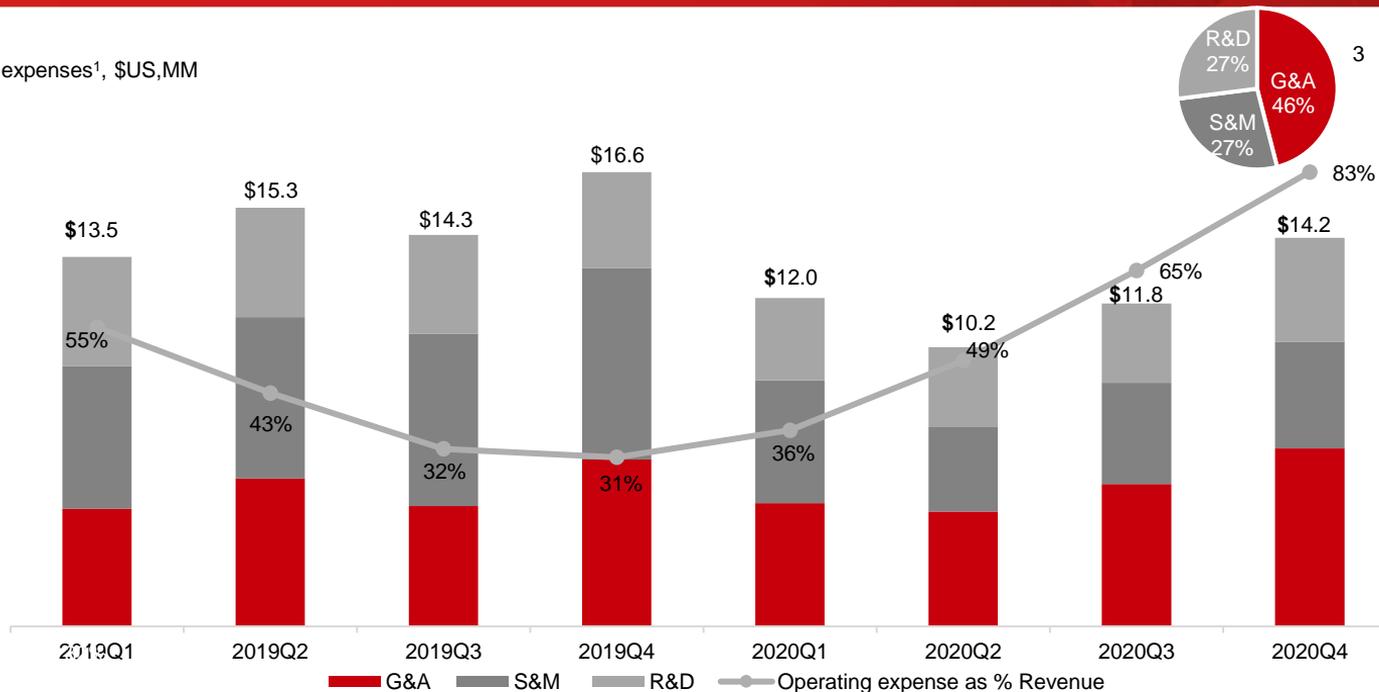
# Higher Service Gross Margin Over Overall Gross Margin

• Gross Profit(loss), US\$'MM



# Controlled Operating Expenses During Pandemic of COVID-19

• Operating expenses<sup>1</sup>, \$US,MM

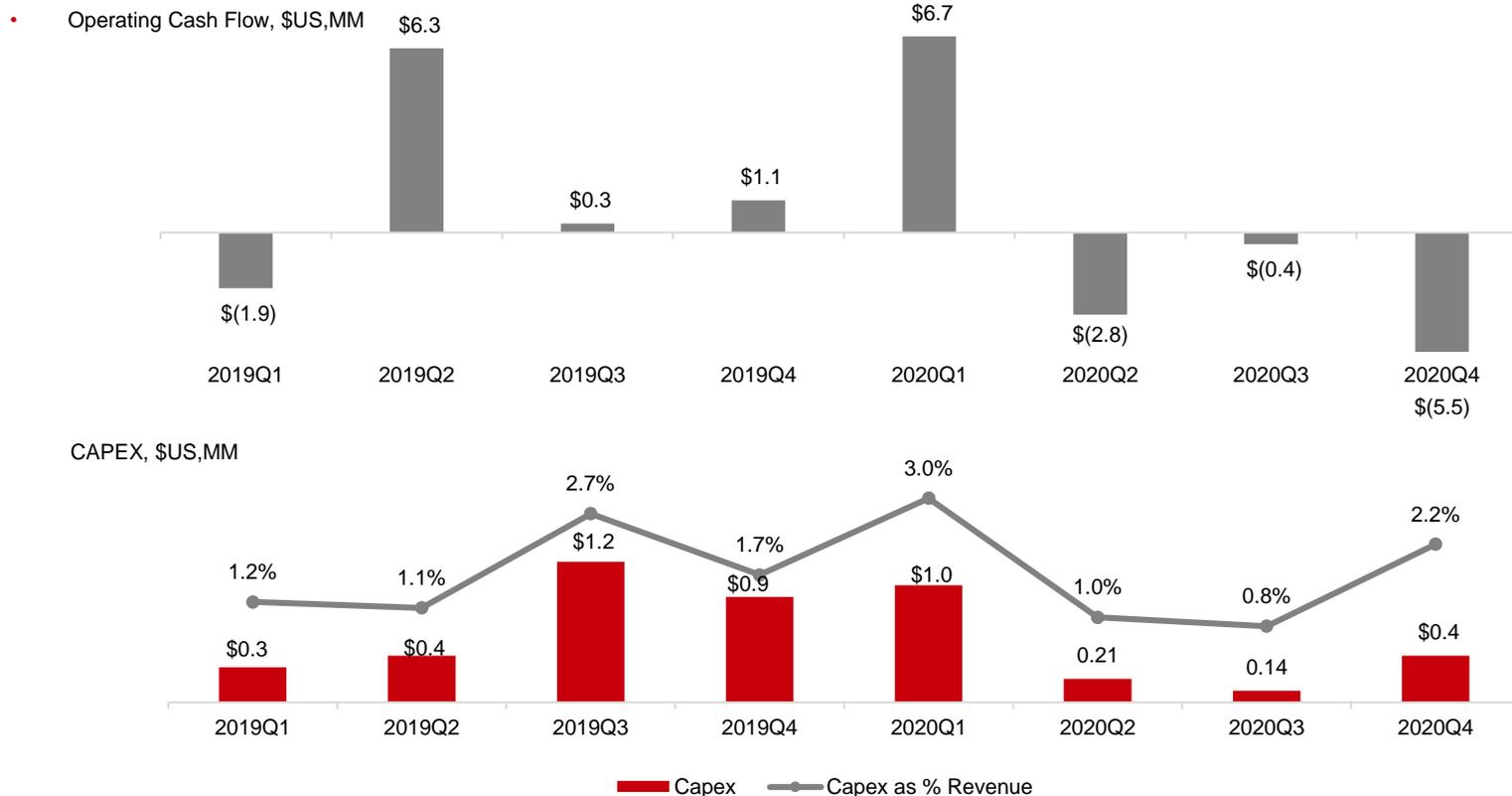


**284 R&D Staff <sup>(2)</sup>**  
**189 Business Development, Sales and Marketing Staff <sup>(2)</sup>**  
**105 Administration and Management Staff <sup>(2)</sup>**

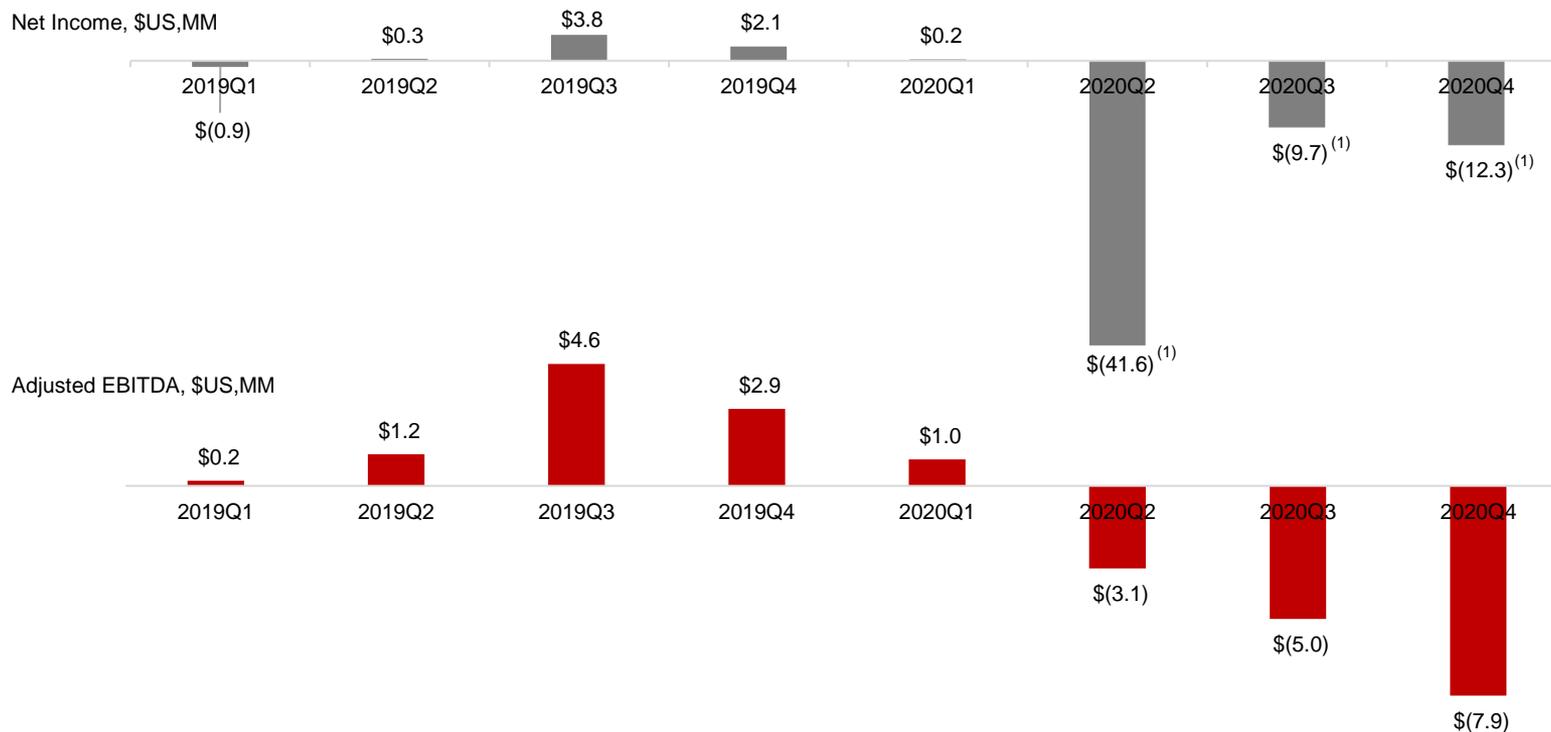
Note:

1. Operating Expenses excluding SBC and others
2. As of December 31, 2020
3. Operating Expenses Breakdown Pie Chart is specifically for 2020Q4

# Asset Light Business Model with Normal Cash Flow



# Net Income & Adjusted EBITDA



Note:

1. Including share-based compensation US\$36.9 million in 2020Q2, US\$7.9 million in 2020Q3, and US\$5.9 million in 2020Q4

# Appendix – Financial Statement

**U CLOUDLINK GROUP INC.**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
(In thousands of US\$, except for share and per share data)

	As of December 31, 2019	As of December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	37,320	21,989
Restricted cash	2,954	8,237
Short-term deposit	193	196
Accounts receivable, net	25,767	6,745
Inventories	10,518	5,847
Prepayments and other current assets	7,828	7,577
Other investments	-	19,185
Amounts due from related party	692	2,264
<b>Total current assets</b>	<b>85,272</b>	<b>72,040</b>
<b>Non-current assets</b>		
Prepayments	-	2,116
Long-term investment	430	1,306
Other investments	-	17,824
Property and equipment, net	3,793	3,029
Intangible assets, net	602	1,039
<b>Total non-current assets</b>	<b>4,825</b>	<b>25,314</b>
<b>TOTAL ASSETS</b>	<b>90,097</b>	<b>97,354</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Short term borrowings	6,659	3,704
Accrued expenses and other liabilities	21,319	25,742
Accounts payables	16,728	8,701
Amounts due to related party	1,022	1,503
Contract liabilities	1,925	889
<b>Total current liabilities</b>	<b>47,653</b>	<b>40,539</b>
<b>Non-current liabilities</b>		
Other non-current liability	-	321
<b>Total non-current liabilities</b>	<b>-</b>	<b>321</b>
<b>TOTAL LIABILITIES</b>	<b>47,653</b>	<b>40,860</b>
<b>MEZZANINE EQUITY</b>		
Series A redeemable convertible preferred shares	22,977	-
<b>TOTAL MEZZANINE EQUITY</b>	<b>22,977</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY</b>		
Pre-IPO ordinary shares	11	-
Class A ordinary shares	-	8
Class B ordinary shares	-	6
Additional paid-in capital	118,818	220,292
Accumulated other comprehensive income	706	(428)
Accumulated losses	(100,068)	(163,384)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>19,467</b>	<b>56,494</b>
<b>TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY</b>	<b>90,097</b>	<b>97,354</b>

# Appendix – Financial Statement

**UCLOUDLINK GROUP INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**  
(In thousands of US\$, except for share and per share data)

	For the three months ended		For the year ended	
	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020
<b>Revenues</b>	<b>53,696</b>	<b>17,026</b>	<b>158,381</b>	<b>89,569</b>
Revenues from services	24,552	9,013	91,110	46,150
Sales of products	29,144	8,013	67,271	43,419
<b>Cost of revenues</b>	<b>(34,802)</b>	<b>(11,680)</b>	<b>(93,463)</b>	<b>(61,264)</b>
Cost of services	(8,420)	(5,300)	(35,594)	(26,392)
Cost of products sold	(26,382)	(6,380)	(57,869)	(34,872)
<b>Gross profits</b>	<b>18,894</b>	<b>5,346</b>	<b>64,918</b>	<b>28,305</b>
Research and development expenses	(3,463)	(5,033)	(15,108)	(26,359)
Sales and marketing expenses	(7,028)	(5,464)	(24,367)	(29,261)
General and administrative expenses	(6,112)	(9,584)	(20,224)	(43,221)
Other income, net	(92)	2,462	290	7,554
<b>Income/(loss) from operations</b>	<b>2,199</b>	<b>(12,273)</b>	<b>5,509</b>	<b>(62,982)</b>
Interest income	24	3	193	37
Interest expenses	(102)	(14)	(438)	(285)
<b>Income/(loss) before income tax</b>	<b>2,121</b>	<b>(12,284)</b>	<b>5,264</b>	<b>(63,230)</b>
Income tax expense	(57)	1	(57)	(86)
<b>Net income/(loss)</b>	<b>2,064</b>	<b>(12,283)</b>	<b>5,207</b>	<b>(63,316)</b>
Accretion of Series A Preferred Shares	(635)	-	(2,540)	(1,293)
Income allocation to participating preferred shareholders	(159)	-	(296)	-
<b>Attributable to:</b>				
Equity holders of the Company	1,270	(12,283)	2,371	(64,609)
Non-controlling interests	-	-	-	-
<b>Earnings/(loss) per share for Class A and Class B ordinary shares</b>				
Basic	0.01	(0.04)	0.01	(0.25)
Diluted	0.01	(0.04)	0.01	(0.25)
<b>Loss per ADS (10 Class A shares equal to 1 ADS)</b>				
Basic	0.05	(0.44)	0.10	(2.49)
Diluted	0.05	(0.44)	0.10	(2.49)
<b>Shares used in earnings per Class A and Class B ordinary share computation:</b>				
Basic	232,451,900	281,686,468	232,178,037	259,852,204
Diluted	232,451,900	281,686,468	232,178,037	259,852,204
<b>Net income/(loss)</b>	<b>2,064</b>	<b>(12,283)</b>	<b>5,207</b>	<b>(63,316)</b>
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation adjustment	492	(1,232)	32	(1,134)
<b>Total comprehensive income/(loss)</b>	<b>2,556</b>	<b>(13,515)</b>	<b>5,239</b>	<b>(64,450)</b>

Q & A

*Thank you*