



uCloudlink

2Q2020 Earnings Presentation

August 2020



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”

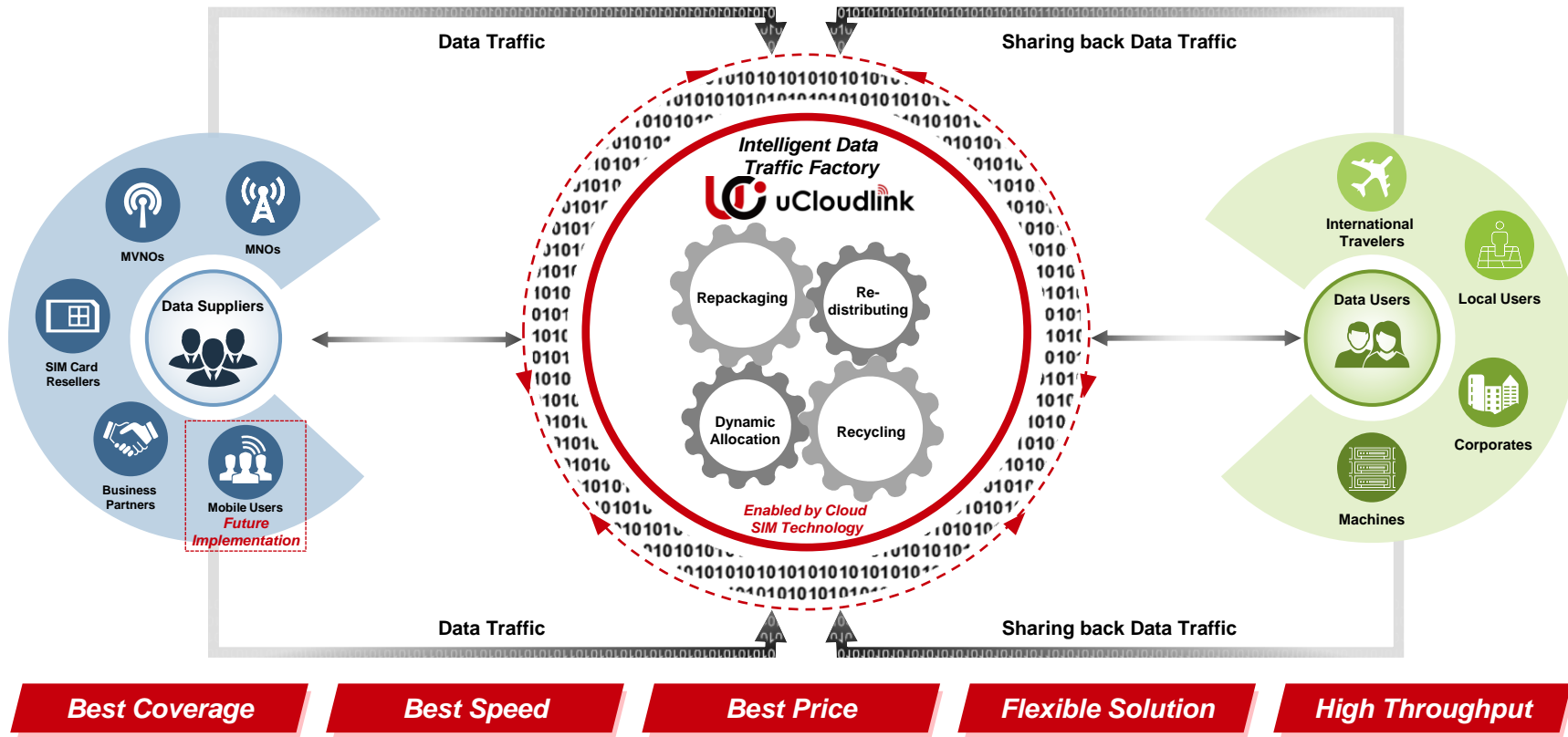
Vision

Connecting and **Sharing** without
Limitations

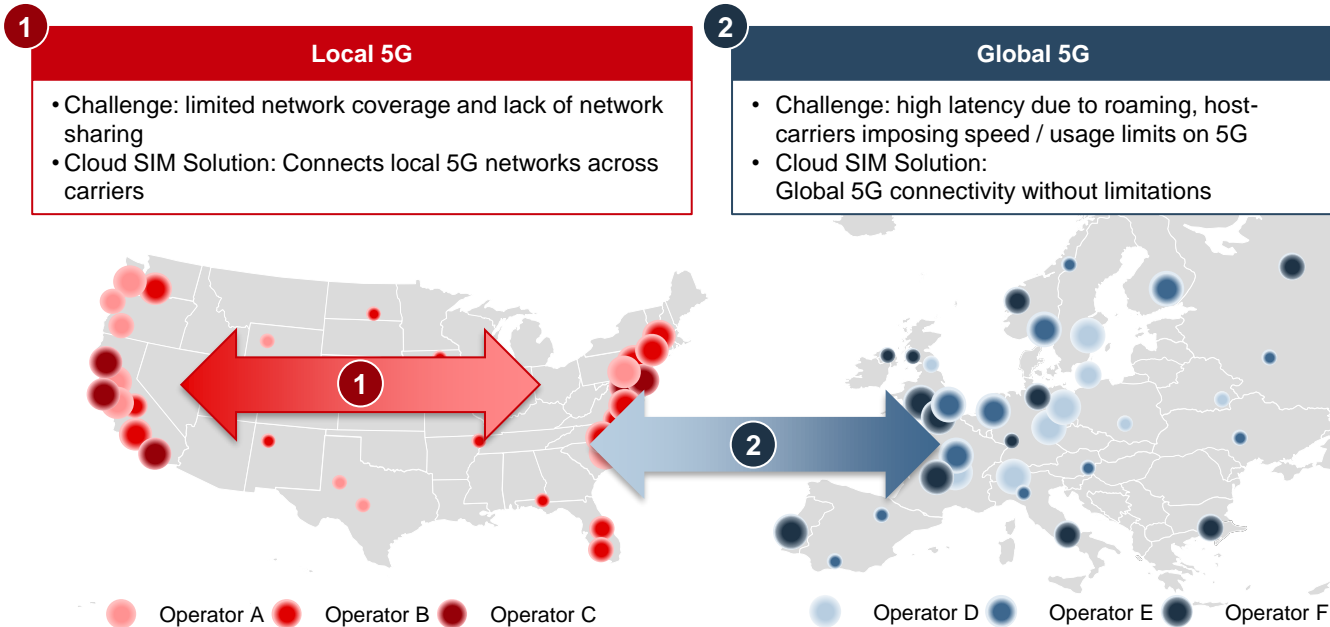
Mission

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



uCloudlink Enables the First Global 5G Connectivity Platform



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

Business Model Description

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



Strategy

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



Stage 2: B2B2C Wholesale

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

- Expedite Global Expansion
- Pool of 2,000+ Local Partners ⁽²⁾

Stage 3: PaaS/SaaS Platform

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

- Fast Expanding Global Partner Ecosystem
- SIM Securely Locally Hosted by Partners

Note:

1. Original design manufacture; 2. As of June 30, 2020

Our Innovative Cloud SIM Technology - Enables Marketplace Access to the Best Connectivity Globally

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

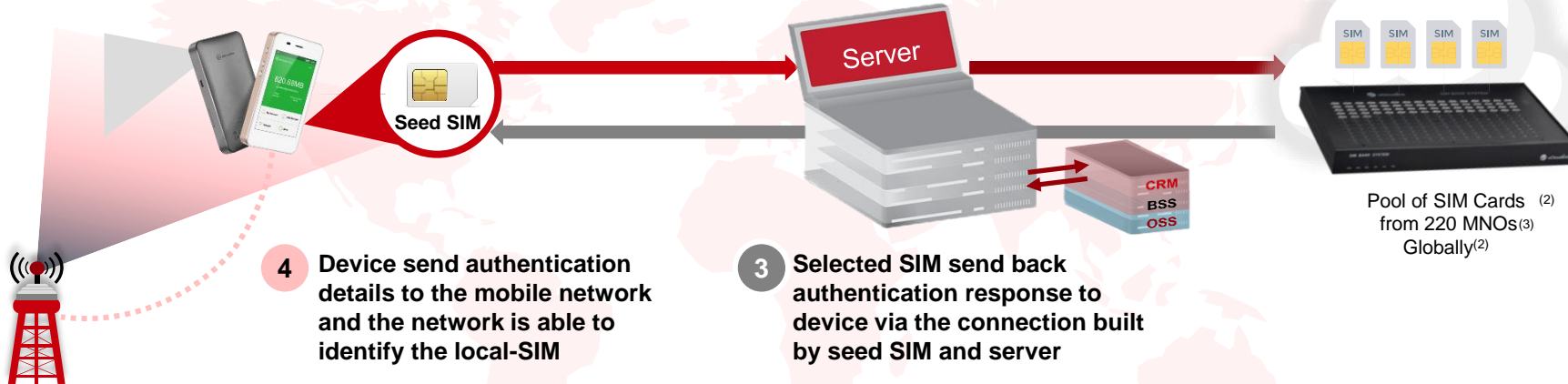
Server identifies SIM in the SIM pool with the optimal connectivity service

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



119 Patents⁽¹⁾

Software-based

Ready to Support All Three Generations of our Businesses

Notes:

1. As of June 30, 2020, with 54 patents approved and 65 patents pending approval, globally
2. As of June 30, 2020, Among these SIM cards, c. 18% are owned by the Company with remaining SIMs owned by our PaaS customers
3. As of June 30, 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



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



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

2018

c.US\$1,149bn *

2023E Local Mobile Data Connectivity Market size

Full Marketplace



Full marketplace of 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



Notes:
* According to Frost & Sullivan

Recent appointment of Mr. Xinquan (Victor) Xu as our Co-Chief Sales Officer

Mr. Xu possesses strong track record in managing the end to end product cycle from development to strategic global marketing of consumer goods such as mobile phone products, in addition to his extensive and deep cross-industry background and experience such as the internet, telecommunications, mobile phone industries. He previously held senior executive roles in various renowned corporations including Huawei Technologies and JD.com, Inc. Mr. Xu received his bachelor's degree in Electrical Engineering from Tsinghua University and his master's degree in Artificial Intelligence and Robotics from Bauman Moscow State Technical University. Mr. Xu received his honorary doctorate's degree in Telecom Economics from Moscow State Aviation Institute. Mr. Xu is an academican of International Telecom Academy. Mr. Wen Gao will continue to serve as the Company's Chief Sales Officer until December 31, 2020, and Mr. Xu will become the Chief Sales Officer of the Company on January 1, 2021.

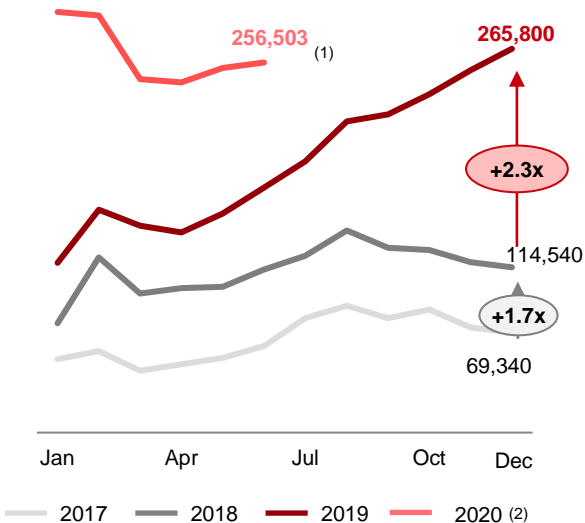
02

2Q 2020 Operating Highlights

Our Business Performance and Operating Highlights

Daily Active Terminals (DAT) ⁽²⁾

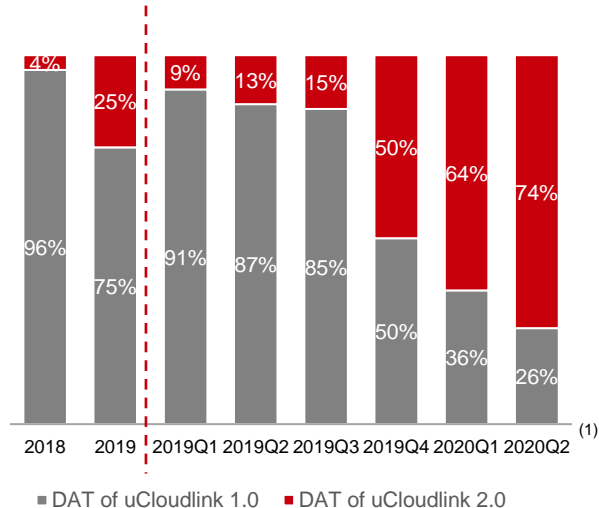
Terminals



DAT Breakdown by uCloudlink 1.0 vs. 2.0 ⁽²⁾

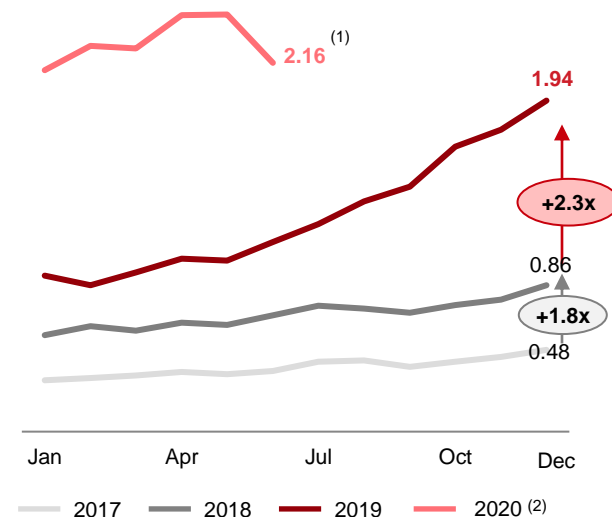
%

Strong uCloudlink 2.0 User Adoption



Daily Data Usage per Terminal ⁽²⁾

GB

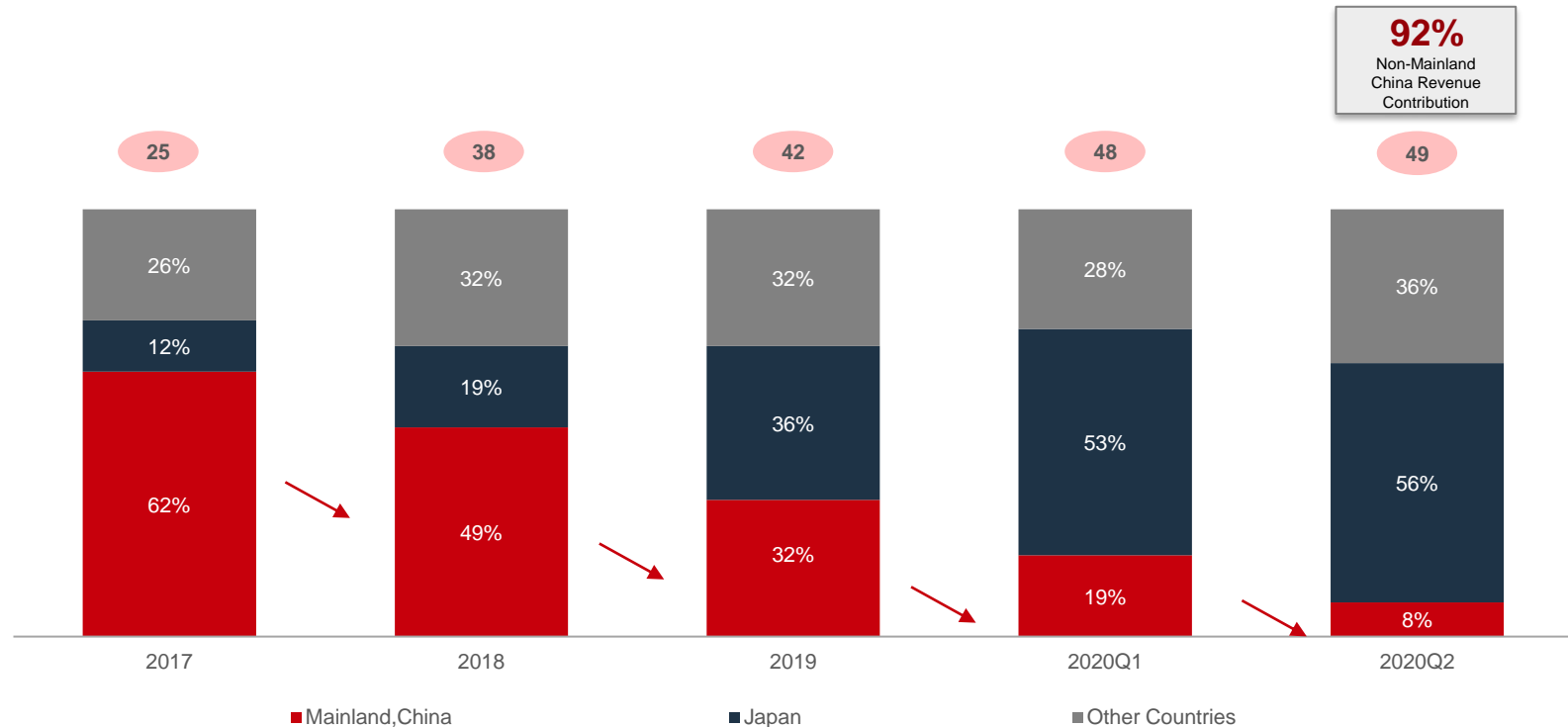


Note:

1. In June 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

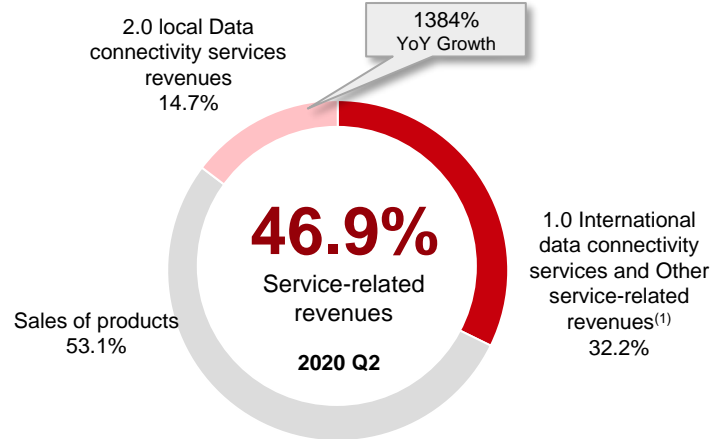
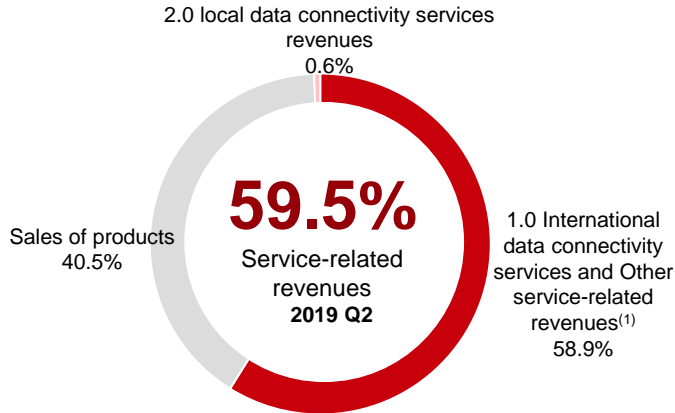


03

2Q 2020 Financial Highlights

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

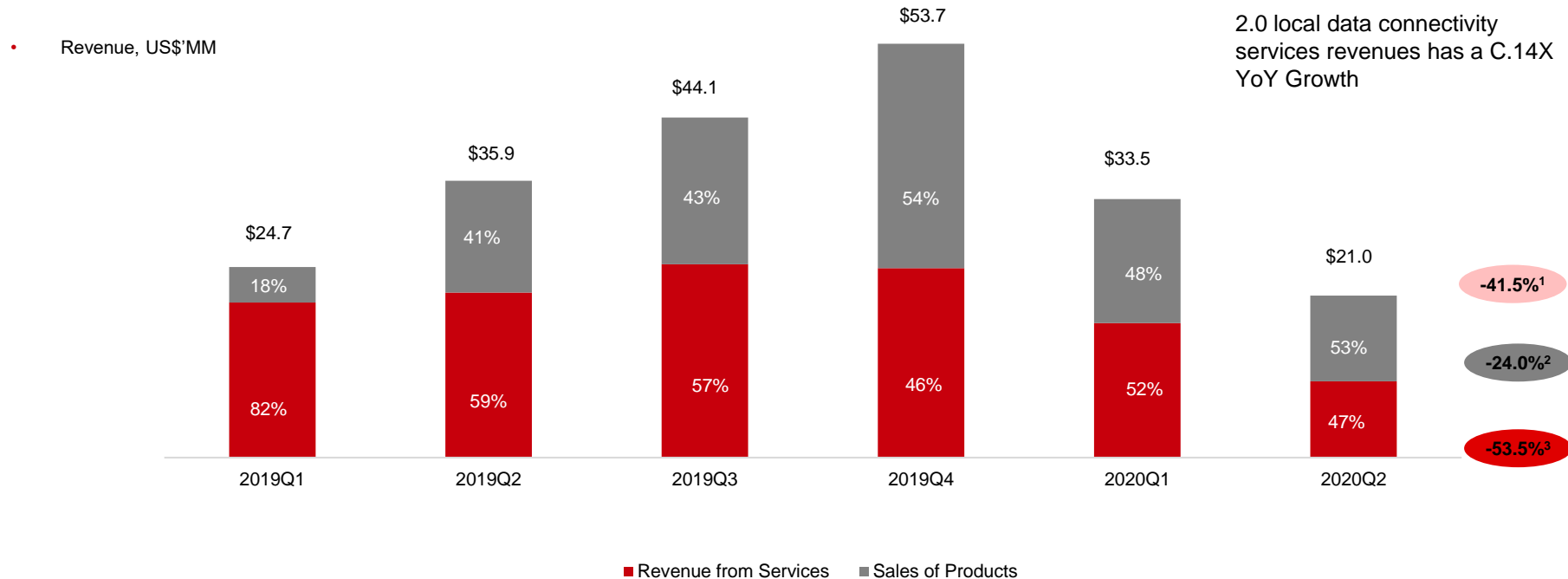
Revenue segmentation based on product & services



Note:

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

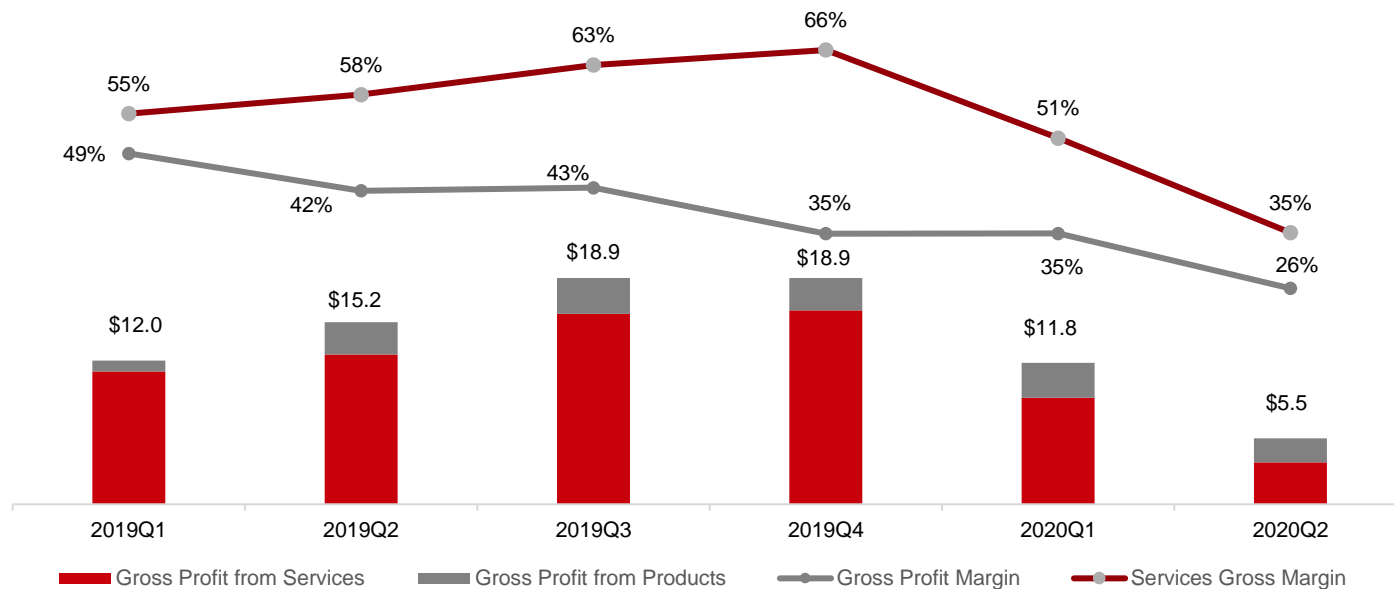
Revenue Breakdown By Our Two Business Segments



1. Q2 Total Revenue Year-over-Year growth
2. Q2 Sales of Products Year-over-Year growth
3. Q2 Revenue from Services Year-over-Year growth

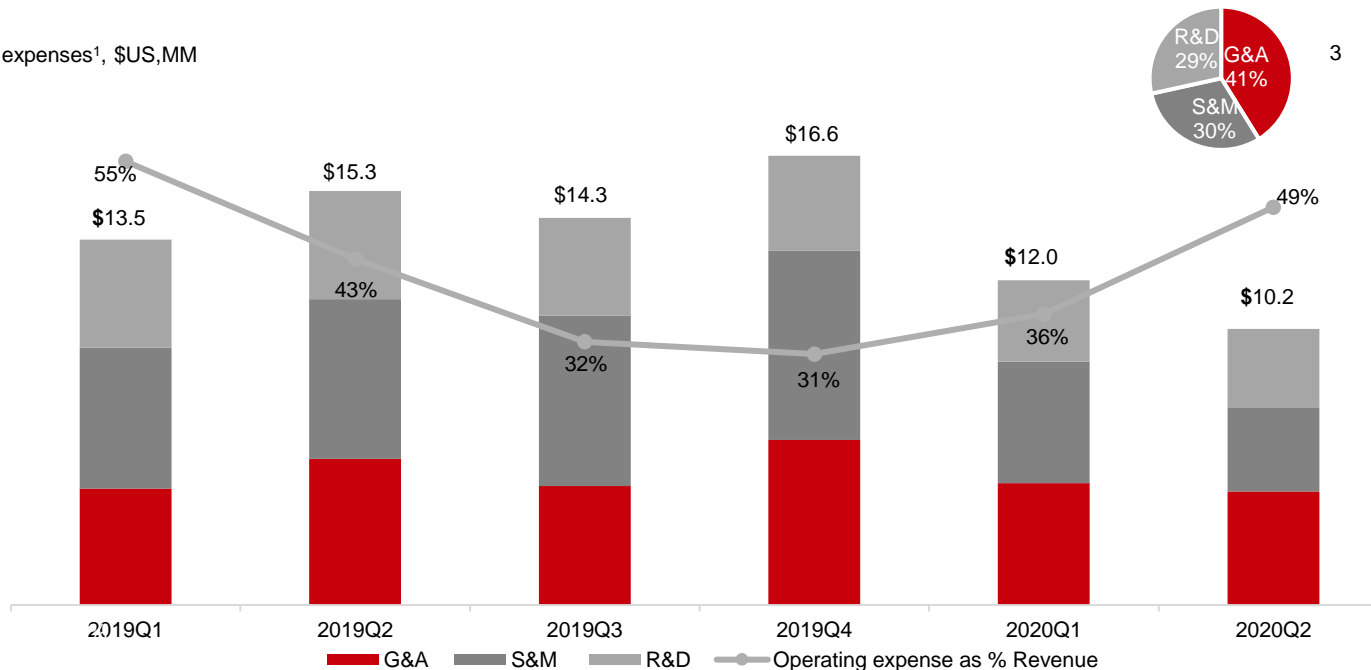
Higher Service Gross Margin Over Overall Gross Margin

• Gross Profit(loss), US\$'MM



Controlled Operating Expenses During Pandemic of COVID-19

• Operating expenses¹, \$US,MM



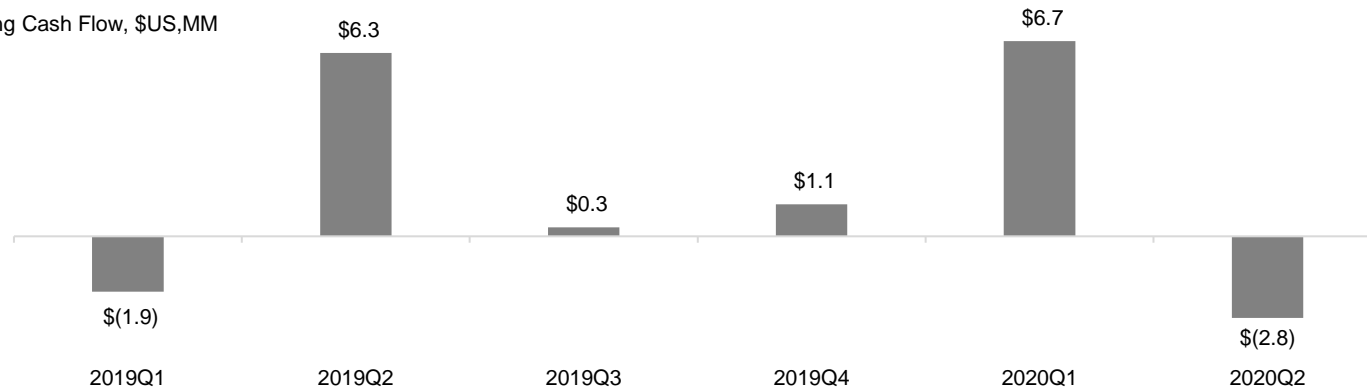
309 R&D Staff ⁽²⁾
290 Business Development, Sales and Marketing Staff ⁽²⁾
109 Administration and Management Staff ⁽²⁾

Note:

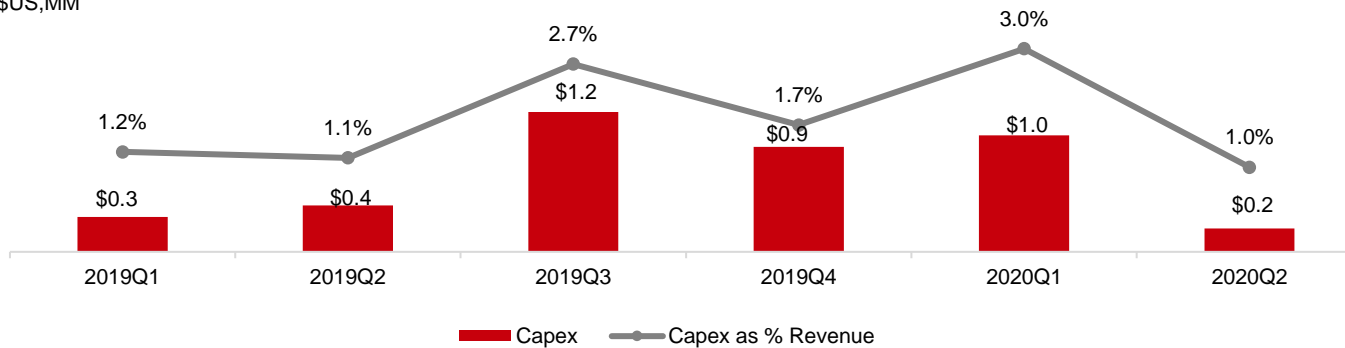
1. Operating Expenses excluding SBC and others
2. As of June 30th, 2020
3. Operating Expenses Breakdown Pie Chart is specifically for 2020Q2

Asset Light Business Model with Normal Cash Flow

• Operating Cash Flow, \$US,MM

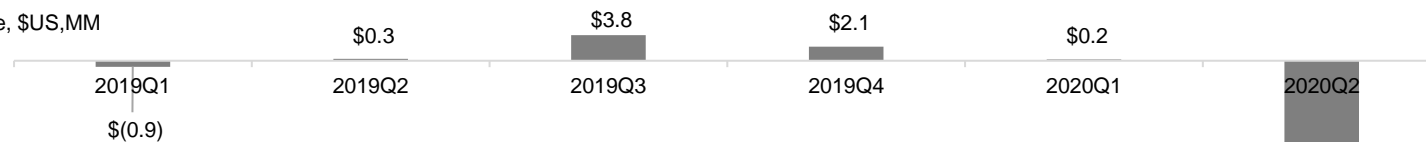


CAPEX, \$US,MM

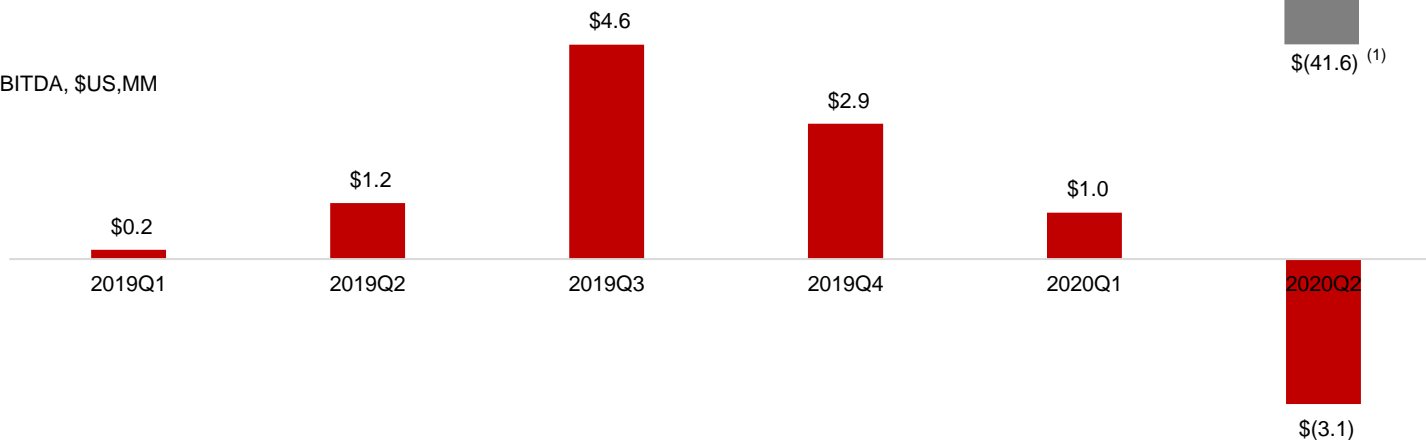


Net Income & Adjusted EBITDA

Net Income, \$US,MM



Adjusted EBITDA, \$US,MM



Note:

1. Including share-based compensation US\$36.9 million

Appendix – Financial Statement

UNAUDITED CONSOLIDATED BALANCE SHEETS (In thousands of US\$, except for share and per share data)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	37,320	27,447
Restricted cash	2,954	9,689
Short-term deposit	193	196
Accounts receivable, net	25,767	12,874
Inventories	10,518	6,739
Prepayments and other current assets	7,828	10,136
Other investments	-	14,004
Amounts due from related party	692	669
Total current assets	85,272	81,754
Non-current assets:		
Prepayments	-	684
Long-term investment	430	424
Other investments	-	17,100
Property and equipment, net	3,793	3,805
Intangible assets, net	602	576
Total non-current assets	4,825	22,589
Total assets	90,097	104,343
Liabilities		
Current liabilities:		
Short term borrowings	6,659	4,218
Accrued expenses and other liabilities	21,319	21,596
Accounts payables	16,728	10,529
Amounts due to related party	1,022	1,003
Contract liabilities	1,925	1,614
Total current liabilities	47,653	38,960
Total liabilities	47,653	38,960

Appendix – Financial Statement

UNAUDITED CONSOLIDATED BALANCE SHEETS (Continued)

(In thousands of US\$, except for share and per share data)

	<u>As of December 31, 2019</u>	<u>As of June 30, 2020</u>
Mezzanine equity		
Series A redeemable convertible preferred shares	22,977	-
Total mezzanine equity	<u>22,977</u>	<u>-</u>
Shareholders' equity		
Pre-IPO ordinary shares	11	-
Class A ordinary shares	-	8
Class B ordinary shares	-	6
Additional paid-in capital	118,818	206,251
Accumulated other comprehensive income	706	554
Accumulated losses	(100,068)	(141,436)
Total shareholders' equity	<u>19,467</u>	<u>65,383</u>
Total liabilities, mezzanine equity and shareholders' equity	<u><u>90,097</u></u>	<u><u>104,343</u></u>

Appendix – Financial Statement

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2020	2019	2020
Revenues	35,927	21,026	60,582	54,547
Revenues from services	21,359	9,868	41,488	27,298
Sales of products	14,568	11,158	19,094	27,249
Cost of revenues	(20,760)	(15,539)	(33,430)	(37,218)
Cost of services	(8,911)	(6,400)	(17,929)	(14,858)
Cost of products sold	(11,849)	(9,139)	(15,501)	(22,360)
Gross profit	15,167	5,487	27,152	17,329
Research and development expenses	(3,955)	(13,544)	(8,019)	(16,560)
Sales and marketing expenses	(5,902)	(13,550)	(11,058)	(18,087)
General and administrative expenses	(5,431)	(19,967)	(9,745)	(24,464)
Other income, net	337	54	1,049	653
(Loss)/income from operations	216	(41,520)	(621)	(41,129)
Interest income	150	15	159	26
Interest expense	(114)	(106)	(195)	(228)
(Loss)/income before income tax	252	(41,611)	(657)	(41,331)
Income tax expenses	-	(6)	-	(37)
Net (loss)/income	252	(41,617)	(657)	(41,368)
Accretion of Series A Preferred Shares	(635)	(604)	(1,269)	(1,293)
Attributable to:				
Equity holders of the Company	(383)	(42,221)	(1,926)	(42,661)
Non-controlling interests	-	-	-	-
Loss per share for Class A and Class B ordinary shares				
Basic	(0.00)	(0.17)	(0.01)	(0.18)
Diluted	(0.00)	(0.17)	(0.01)	(0.18)
Loss per ADS (10 Class A shares equal to 1 ADS)				
Basic		(1.73)		(1.79)
Diluted		(1.73)		(1.79)
Shares used in earnings per Class A and Class B ordinary share computation:				
Basic	231,341,233	243,363,011	232,451,900	237,907,456
Diluted	231,341,233	243,363,011	232,451,900	237,907,456

Q & A

Thank you