

## Q2 2021 Presentation Script

**Operator:** Good morning and good evening ladies and gentlemen, thank you for standing by and welcome to uCloudlink Group Inc. second quarter 2021 Earnings Conference Call. At this time, all participants are in a listen-only mode. After prepared remarks by the management team, there will be a question-and-answer session. Today's conference call is being recorded. I would now like to turn the call over to your host today, Mr. Bob Shen, Deputy Investor Relations Director of the company. Please go ahead.

### 01 Opening (Presenter: Bob Shen)

Thanks everyone for joining us on our second quarter 2021 earnings call today. The earnings release is now available on our IR website at <https://ir.ucloudlink.com> as well as via newswire services. I will give a brief introduction to our uCloudlink team.

- Zhiping Peng is our co-founder and chairman of board of directors.
- Chaohui Chen is our co-founder, director and chief executive officer.
- Yimeng Shi is our chief financial officer.
- Zhu Tan is our vice president of marketing and sales.

Our CEO will begin with an overview of our company and business highlights, which will cover Section 1 of the earnings presentation posted on our IR website. Our CFO Yimeng Shi will then discuss our operation highlights and financial results as presented in Sections 2 and 3.

Before we proceed, please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the company's control, which may cause actual results, performance or achievements of the company to be materially different from the results, performance or expectations implied by these forward-looking statements.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements, risk factors and details of the company's filings with the SEC. The company does not assume any obligation to revise or update any forward-looking statements as a result of new information, future events, changes in market conditions or otherwise, except as required by law.

Please also note that uCloudlink's earnings press release and this conference call include discussions of unaudited GAAP financial information as well as unaudited non-GAAP financial measures. uCloudlink's press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures.

I will now turn the call over to our co-founder and CEO, Mr. Chaohui Chen. Please go ahead.

## 02 Company Overview (Presenter: Chaohui Chen)

There are similar contents as the earnings presentation of the first quarter of 2021, I will focus on our technology and recent development.

### Page 4 Vision and Mission

Thanks everyone, let us turn to **Page 4** of the earnings presentation which shows our vision and mission.

We have redefined the mobile data connectivity experience, allowing users to gain access to mobile data traffic allowance shared by network operators on our marketplace.

Our technology facilitates carriers and users “single operator entry point to access all available local and global networks” and would enable people to use mobile data traffic freely anytime, anywhere like breathing the air. We expect to eventually cover all available networks from operators globally with the recovery of COVID-19 pandemic and development of 2.0 business and eventually build a fully global marketplace of mobile data traffic.

We believe that from “connected” to “better connection” is the trend of information era and we would enable all business partners and users to have better data connectivity. Our innovative technology facilitates us to establish the leading technological position of our PaaS and SaaS platform in the early stage of 5G and we are dedicated to promoting better connection to everyone.

### Page 5 The World’s First and Leading Mobile Data Traffic Sharing Marketplace

Let us move to **Page 5**. The left-hand side of the slide shows the source of data from the market. We and our partners (including carriers) simply buy SIM cards from carriers or their partners around the world (we call this “firsthand” mobile data). Our system can also utilize the unused data from end users (we call this “second-hand” mobile data). The right-hand side of the slide shows the various users of data in the marketplace. This marketplace enables an end-user’s device to connect to any available network at anytime and anywhere. Through our technology, we have built a data traffic marketplace for operators and users, where data traffic can be shared simply and efficiently via market behavior.

With the development of our 1.0 and 2.0 business, we are scaling up our user’s base to make such marketplace happened for global mobile data traffic sharing.

### Page 6 Operators Face Two Major Challenges: Coverage and Congestion

**Let us move to Page 6** which shows that coverage and congestion are two major challenges all wireless networks face.

On the left-hand side, the white coverage circles on the left hand-side chart are reliable data connection areas and the shadow areas (weak signal) are unreliable data connection. Even for good coverage, it is easy to have network congestion during peak times.

On the right-hand side, you can see Wi-Fi and mobile signals are severely weakened when penetrating walls. This is often the cause of indoor poor coverage. Operators cannot guarantee good indoor coverage while users have strong demand of high-quality indoor data connection.

To improve unbalanced indoor and outdoor coverage for Wi-Fi and mobile data connection, operators need very high CAPEX and cannot solve all data connection problems. Through our technology we can help operators solve the two major challenges which brings us great opportunities.

## Page 7 Our Solution Can Make for a Better Connection

**Let us move to Page 7** which shows our solution for such problems.

Via our cloud SIM technology through our PaaS and SaaS platform under HyperConn solution, we can help change unreliable data connection to more reliable data connection. Similar to installing "navigation + electronic toll pass" for traffic, "navigation" can automatically identify network congestion and actively choose a better route and "electronic toll pass" allows users to avoid long queues when switching between mobile networks, intelligently elevating data connectivity user experience.

We are able to provide seamless coverage for end users; solves pain points such as roaming, coverage and congestion. We improved overall network efficiency and access to all available networks worldwide.

By bringing reliable connections to formerly unreliable connection areas, we help operators elevate users' mobile broadband (MBB) and fixed broadband (FBB) such as home broadband data connectivity experience, lowering churn rate and improving overall network efficiency.

## Page 8 Our routing Technology enabling Data Traffic Marketplace (Cloud SIM)

Let us turn to **Page 8**. Let us take a look at our innovative Cloud SIM technology.

Cloud SIM technology allows mobile handsets and terminals to switch operators' network freely. With cloud SIM technology, we can create a full marketplace including first-hand and second-hand data traffic with massive user base. With Cloud SIM APP, the device or handset can connect to different networks by changing to a different SIM card in remote sites. It simplifies the relationship with carriers, as it is easy to buy SIM cards from carriers and their channel. Physical SIM card has over 20 years' history and it is secure, reliable, and mature, with very low risks and barriers for SIM card supplement.

Cloud SIM technology is a component of HyperConn technology, which transforms all available wireless networks to usable networks through intelligent SIM cards' management.

Our Cloud SIM technology facilitates a valuable service to both users and carriers. As of June 30, 2021, we had 77 patents approved and 83 patents pending for approval globally.

**Page 9 Our advanced Technology enabling Secured and Robust Connectivity (HyperConn)  
Let us move to Page 9.** Our Cloud SIM technology has been developed to the HyperConn stage.

The definition of hyper-connectivity basically includes level one which is the evaluation of connection quality of various wireless-access networks including Wi-Fi and all mobile operators, level two which is network selection and optimization based on cloud SIM technology, and level three which is optimizing and acceleration of application routing. After one-year development, HyperConn Products are highly compatible with fast development of 2.0 business, GMI, MBB+FBB, Education, Autopilot, etc.

Our hyper-connectivity solution would redefine the mobile network and Wi-Fi user experience and facilitate data traffic marketplace. User's data connectivity experience is affected by various factors such as signal, interference and routing, bandwidth and delay, and server location. uCloudlink's hyper-Connectivity would aim to connect cross networks and technical systems, various SIM form factors such as e-SIM and soft-SIM, cross various physical boundaries such as Wi-Fi and various radio technologies etc. by countries and regions. We plan to achieve the goal by identification, monitoring and optimization to further elevate user experience in the data connectivity market. In June 2021, we unveiled our new HyperConn™ technology and products, such as Numen (world's first HyperConn 5G mobile Wi-Fi) and Genie (a tablet device), in an official virtual product conference during Mobile World Congress Barcelona (MWC Barcelona). Going forward, we will launch more innovative products and services.

**Page 10 The Evolution of Cloud SIM and HyperConn Business Models**

**Let us move to Page 10** which shows the evolution of our Cloud SIM business models. Our 1.0 and 2.0 businesses follow three-stage development, and 2.0 business will cooperate with more MNOs, MVNOs and local business partners through our PaaS and SaaS platform.

Stage 1, it is B2C retail. We have proven our technology and business model being successful and profitable. We provide superior data connectivity services to end-users backed by our PaaS and SaaS platform.

Stage 2 is B2B2C wholesale, where we can work with partners in different countries to use their brand while copying our business model. It is faster than expanding by ourselves and requires less spending. Our business partners can also manage their business and provide better services to their users via our PaaS and SaaS platform.

Stage 3, PaaS and SaaS platform (with various business models). Our business partners can rely on our PaaS and SaaS platform for SIM and data traffic management, and focus on sales and marketing, which should facilitate and consolidate a full marketplace of customer and business partner resources on our platform. Our advanced PaaS and SaaS platform can optimize the utilization efficiency of the SIM card pool, and improve the algorithms for better network quality with the capacity improvement for Over the Top (OTT) management. Our PaaS and SaaS platform can provide business partners with more strengthened services via our hyper-connectivity technology, such as data management, terminal management, sales and rental of terminals and customers management system. The PaaS and SaaS monetization model mainly includes revenue sharing, SIM hosting fee, etc.

## Page 11 Clear Growth Strategies Across Business Models

Let us move to **Page 11** which shows our three growth strategies. uCloudlink 1.0 (“uCloudlink 1.0 international data connectivity services”) focuses on cross border travelers. Our technology facilitates “single operator entry point to access all available networks globally”. We have leading global 5G roaming solution which is an easy roaming solution for carriers. We provide better service quality than other roaming technologies.

uCloudlink 2.0 (“uCloudlink 2.0 local data connectivity services”) focuses on local residents and solves challenges between carriers. Our technology facilitates “single operator entry point to access all available local networks”. It has started gaining fast growth to become a huge volume user number company. We are developing GMI with handset vendors, cooperating with MNOs and MVNOs, developing more 5G related products and services, building local operation successfully with local partners and catching local mobile broadband and IOT GMI opportunities.

uCloudlink 3.0 is in trials and is technologically ready. After user base accumulation is completed, we believe this will trigger mobile data traffic market with huge opportunities and development.

## Page 12 Unique Business Model with High Barriers to Entry

**Let us move to Page 12.** Our team has a lot of experts in the telecom industry and in-depth knowledge related to technology, chipsets and networks. We believe it can facilitate us to establish the leading technological position of our PaaS and SaaS platform in the early stage of 5G.

## Page 13 uCloudlink 1.0: Expect Recovery Post COVID-19 Pandemic with More Growth Potential

**Let us move to Page 13.** uCloudlink 1.0 had a strong track record of high gross margins and profitability with ongoing growth potential. According to the publication of the World Tourism Organization (UNWTO) in March 2021, international tourism is expected to recover gradually during 2021 compared with 2020. We expect that the recovery of international tourism will benefit our 1.0 business.

We intelligently repackage to minimize data traffic unit cost (Data packages of single operator or cross MNOs, MVNOs have large price difference and we repackage from wholesale to retail). We have the largest SIM card pool and we acquire data packages at wholesales local price from operators to partners. Further, we provide high-quality data connection services and elevate user experience of users and business partners through multi-networks reselection and combination, which shows our difference. uCloudlink 1.0 business’ monetization model includes retailing (To C, rental or selling to end user), wholesale (To B, for business partner) and our PaaS and SaaS services (such as CRM, billing management, devices selling and rental management, etc). For wholesale To B, we can be reseller or provide commission services to our business partners. We allow our business partners share data traffic pool through our PaaS and SaaS platform and charge commission fee.

We believe, while the COVID-19 pandemic has negatively impacted our 1.0 business, it has also created opportunities for potential growth, including increased demand for mobile data such as traveling, tracking, vaccination digital passports, and COVID test reports. Also, we see fewer competitors in the market after the COVID-19 pandemic. We expect recovery of international travel will benefit to our 1.0 business, such as the US Market during the second quarter of 2021. We expect our 1.0 business will not just be a simple recovery, but grow with new development with innovative technology and products.

## Page 14 uCloudlink 2.0: Rapid Growth Track Record of Local Demand and Massive Opportunities

Let us move to **Page 14**. uCloudlink 2.0 business became a new driver of growth during 2020. Our 2.0 business showed greater resilience with proven high demand and growth potential during the pandemic and experienced less negative impact overall. uCloudlink 2.0 business' monetization model is similar to that of uCloudlink 1.0 business with massively potential local user base.

We help operators improve service and solve data connection problems through our PaaS and SaaS platform. During the COVID-19 pandemic, for example, remote work and learning also requires high-quality, reliable data connection services. By alliances with more MNOs and mobile handset manufactures we should be able to embed more GlocalMe Inside (GMI) in smartphones, such as 5G smartphones. 5G also brings us great opportunities. We would accelerate the arrival of the 5G cloud era and the applications such as AR/VR, cloud computing, and autopilot, etc. The high quality of 5G applications data connection will also bring users' high requirement and awareness of data connectivity quality. Further, we made progress through hyper-connectivity solution with mobile and fixed broadband businesses (MBB+FBB) under various application scenarios such as home broadband. We also intend to proactively explore opportunities in new industries and various IoT application scenarios.

Despite the continued impact of the COVID-19 pandemic over the global economy, we demonstrated commercial resilience and business vitality in the second quarter of 2021, generating revenue of US\$ 19.2 million, above the top end of our guidance range, with revenues mainly coming from the Japan, U.S and mainland China markets. In the Japanese market, we successfully launched and started to ship a new tablet targeted at the education industry. The new tablet comes equipped with cloud SIM technology, enabling it to seamlessly connect to better available mobile broadband (MBB) and fixed broadband (FBB) network at all times. In the US market, we continued to extend and deepen cooperation with online and offline distributors and recorded a new 12 month high for sales via Amazon in the quarter. We also saw a significant year-over-year increase in order demand for international data connectivity services in the US market, compared with the second quarter of 2020. In the Chinese market, we steadily increased our numbers of MBB and FBB related product installations, through cooperation with a major mobile network operator (MNO) in Shenzhen. These installations served to elevate user experience and scale up our potential user base in areas such as home broadband services, giving us a good reference case for further business development with MNOs across other cities in China.

I will now turn it over to our CFO Yimeng Shi who will go through the business and financial highlights' sections.

## 03 Business Highlights (Presenter: Yimeng Shi)

### Page 16 Our Business Performance and Operating Highlights

Thank you, Mr. Chen. Hello everyone. Let us turn to **Page 16** for our business highlights. The data for the second quarter of 2021 shows that the impact from COVID-19 is becoming stable. The left-hand side of the slide shows Daily Active Terminals (DAT) as of June 30 2021.

Our uCloudlink 2.0 service accounted for around 68% of total DAT during the second quarter of 2021. Average daily data usage per terminal was 1.90 GB in June 2021.

## Page 17 Our Business and Revenue are increasingly Diversified Globally

Let us turn to **Page 17** which shows global diversification of our business. Mainland China's revenue as a percentage of total revenue increased to 8% during the second quarter of 2021 compared to 6% during the first quarter of 2021 and we had 92% of total revenue from outside mainland China. During the second quarter 2021, Japan contributed to 53% of total revenue and continued to be the single largest market for our business. For other countries' revenue, the US market had the largest contribution to our business. During the second quarter of 2020, we had 8% of total revenue coming from Mainland China, 56% of total revenue coming from Japan and 36% of total revenue coming from other countries and regions.

## 04 Financial Highlights (Presenter: Yimeng Shi)

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

Let us turn to **Page 19**.

I will go through our financial highlights of the second quarter of 2021.

Service-related revenue as a percentage of total revenue increased from 46.9% in the second quarter of 2020 to 48.5% during the second quarter of 2021.

Revenues from PaaS and SaaS services increased 589.5% from US\$0.5 million in the second quarter of 2020 to US\$3.2 million in the second quarter of 2021. This increase was primarily due to the increase of our business partners that use our PaaS and SaaS services to provide local data connectivity services. Revenues from PaaS and SaaS as a percentage of total revenue also increased to 16.4% during the second quarter of 2021 compared with 12.9% during the first quarter of 2021.

### Page 20 Revenue Breakdown by Our Two Business Segments

Let us move to **Page 20** which shows the revenue breakdown of our two business segments, namely revenue from services and sales of products. During the second quarter of 2021, revenue from services and sales of products accounted for 48.5% and 51.5% of total revenue, respectively. Our total revenue decreased by 8.5% from US\$21.0 million in the second quarter of 2020 to US\$19.2 million in the second quarter of 2021. Revenue from services were US\$9.3 million, representing a decrease of 5.5% from US\$9.9 million for the same period of 2020. This decrease was primarily due to lower revenues from international and local data connectivity services partially offset by an increase in revenues from PaaS and SaaS services. Our total revenue increased 8.7% compared to US\$17.7 million in the first quarter of 2021.

## Page 21 Higher Service Gross Margin Over Overall Gross Margin

Let us turn to **Page 21** for gross margin of our business. Our services gross margin increased to 45.4% and our overall gross margin increased to 28.1% in the second quarter of 2021 compared to 35.4% and 26.2% during the second quarter of 2020 respectively.

The increase of our services gross margin during the second quarter of 2021 is primarily due to the increase of our PaaS and SaaS revenue which has a higher gross margin over other business revenue.

The COVID-19 pandemic still has negative impact on our services gross margin and overall gross margin during the second quarter of 2021.

## Page 22 Controlled Operating Expense During Pandemic of COVID-19

Let us move to **Page 22** which shows the breakdown of our operating expense, excluding share-based compensation and others. Excluding share-based compensation, operating expense as a percentage of total revenue decreased from 71% during the first quarter of 2021 to 61% during the second quarter of 2021 and we will continue to improve our operation efficiency of our business.

G&A expense accounted for 43% of total operating expense, which consists of expenses like professional service charge.

## Page 23 Asset Light Business Model with Normal Cash Flow

Let us turn to **Page 23** Operating cash flow was negative US\$6.1 million during the second quarter of 2021 compared to negative US\$2.8 million during the second quarter of 2020. Our cash flow was normal with sufficient cash and cash equivalents as at June 30 2021.

Our CAPEX was US\$0.3 million during the second quarter of 2021 compared to US\$0.2 million during the second quarter of 2020.

CAPEX as a percentage of total revenue increased from 1.0% during the second quarter of 2020 to 1.3% during the second quarter of 2021.

## Page 24 Net Income & Adjusted EBITDA

Let us move to **Page 24**. Net income during the second quarter of 2021 was negative US\$8.2 million compared to negative US\$41.6 million during the second quarter of 2020. Adjusted EBITDA was negative US\$5.5 million during the second quarter of 2021 compared to negative US\$3.1 million during the second quarter of 2020.

With that let me conclude today's presentation. Thank you and we start our Q&A session.



## 05 Q&A Session

[Standard Q&A instruction] + For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English.

[After Q&A]

**Operator:** As there are no further questions, now, I'd like to turn the call back over to management for closing remarks.

**Bob Shen:**

Thank you once again for joining us today. If you have further questions, please feel free to contact uCloudlink's investor relations through the contact information provided on our website or TPG Investor Relations.

**Operator:** This concludes the earnings conference call. You may now disconnect your line. Thank you.