

## Q32021 Presentation Script

**Operator:** Good morning and good evening ladies and gentlemen, thank you for standing by and welcome to uCloudlink Group Inc. third 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 third 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 (Nasdaq: UCL) 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 second quarter of 2021 and during this call we will outline the major recent developments and highlights.

### Page 4 Vision and Mission Statement

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 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 Rooting 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 September 30, 2021, we had 79 patents approved and 93 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 HyperConn™ 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.

For example, we believe that metaverse requires elevation of network connection and the core of the metaverse such as AR/VR and cloud computing, which require very high network speed and very low latency. Our Hyperconn™ technology can support and meet such high-quality requirement of data connection.

## 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 and HyperConn™ 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 of our business. 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 such as our HyperConn™ technology solution, 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 is international data connectivity services and had a strong track record of high gross margins and profitability with ongoing growth potential. In the long-term as international travel restrictions continue to abate over time and the gradual recovery of international travel benefited our international data connectivity business. Even for the new challenge of the COVID-19 pandemic, we still have confidence in the positive trend of international travel because of the medicine and vaccine coming to use.

With the gradual recovery of international tourism, we saw increase of 1.0 business revenue in the third quarter of 2021 year-over-year (YoY) and quarter-over-quarter (QoQ) with continuous user demand in various markets. For example, our US market had a year-over-year (YoY) increase of order demand of 1.0 business during the third 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. We saw positive development of our 1.0 business from our daily active terminals as international travel users increased quickly in various markets.

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.

## 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 is local data connectivity services and became a new driver of growth during 2020. Our New HyperConn technology contributes to the further development and growth of our uCloudlink 2.0 business, and we expanded the business scope of our local data connectivity services. Our HyperConn technology is widely accepted by MNOs, business partners in various industries with great growth potential, such as with local partners in China, US and Japan.

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. 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. 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. Especially, our mobile and fixed broadband businesses cooperation with one of the major MNOs in China have been successful and expanded to more provinces.

The increase in total revenues is a strong indication that uCloudlink is well-positioned to grow in the short-term due to our continuous efforts in expanding our platform service business, and in the long-term as we believe that international travel restrictions will be lifted in the future. We had an increase in revenue from our 1.0 and 2.0 businesses in the third quarter of 2021 compared to the second quarter of 2021 and we saw fast business development through online and offline channels in our US market.

We launched a new branded technology, Hyperconn™, which allows for us to target IoT opportunities by leveraging 5G mobility to ensure superior network connectivity. Our strategy is to use this technology to introduce innovative products and services into the market. Such new products will help accelerate the further development of our 2.0 business. Our new tablets equipped with Hyperconn™ and Cloud SIM technology have been promoted in new industries such as education. Our strategy to expand our network and strengthen our collaborations with local partners allows our new 5G HyperConn™ products to enter a variety of new industries, which require reliable, high-quality data connections, including education, emergency services, live broadcasting e-commerce,

Walkie and Talkie, and other IoT applications. Our Hyperconn™ related products and services have been distributed by our offline retail channels and e-commerce platforms and our products have received positive feedback and are well recognized and valued by increasing numbers of users and business partners, across a wide spectrum of industries.

## Page 15 Hyperconn™ Enabled Innovative Products and Services

Let us move to **Page 15**. Based on our innovative Cloud SIM and Hyperconn™ technology solution, we continue to develop and broaden our scope with new products and services, such as our self-developed terminals and third-party devices. For example, after we unveiled our new HyperConn™ technology and products in June 2021, we launched our HyperConn™ technology solution and products to the markets in the third quarter of 2021, such as Numen (world's first HyperConn™ 5G mobile Wi-Fi) and Genie (a tablet device). We had positive feedback for our Numen and Genie and we continue to cooperate with more business partners. Our IP Camera (IPC) has completed testing and expect to launch for commercial in the near future. Going forward, we will launch more innovative products and services. Our Hyperconn™ technology solution has received positive feedback and relative products are well recognized and valued by increasing user base across a wide spectrum of industries.

Through embedding our GlocalMe Inside (GMI), we continue to further expand our PaaS and SaaS ecosystem with users and business partners globally. Our Hyperconn™ technology solution is highly compatible with various application scenarios and smart hardware such as 5G mobile phone, tablets, CPE, etc. Our Hyperconn™ technology solution also facilitates us to enter new industries requiring high-quality and reliable data connection, such as online education, emergency response, electric power industries, etc.

We believe our PaaS and SaaS ecosystem will continue to expand as we keep investing in R&D and launching innovative products and services to the market and elevate data connectivity services such as data connection for internet of everything.

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 17 Our Business Performance and Operating Highlights

Thank you, Mr. Chen. Hello everyone. Let us turn to **Page 17**. The data for the third 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 September 30 2021.

Average daily active terminals in the third quarter were 256,124 (2,031 owned by the Company and 254,093 owned by our business partners), representing an increase of 1.5% from 252,265 in the third quarter of 2020. Our uCloudlink 2.0 service accounted for around 67% of total DAT during the third quarter of 2021. Average daily data usage per terminal was 1.85 GB in September 2021.

## Page 18 Our Business and Revenue Are Increasingly Diversified Globally

Let us turn to **Page 18** which shows global diversification of our business.

We had 96% of total revenue from outside Mainland China. During the third quarter 2021, Japan contributed to 47% 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 with further development of our US business and we will continue to expand other markets such as Japan, China, Europe and South East Asia, etc. During the third quarter of 2020, we had 5% of total revenue coming from Mainland China, 56% of total revenue coming from Japan and 39% of total revenue coming from other countries and regions.

## 04 Financial Highlights (Presenter: Yimeng Shi)

### Page 20 Percentage of Our Service-Related Revenues and COVID-19 Impact

Let us turn to **Page 20**.

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

Service-related revenue as a percentage of total revenue was 54.2% during the third quarter of 2021 compared with 48.5% during the second quarter of 2021.

Revenues from PaaS and SaaS services increased 81.6% from US\$1.5 million in the third quarter of 2020 to US\$2.7 million in the third quarter of 2021. This increase was primarily due to the expansion in the number 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 13.8% during the third quarter of 2021 compared with 8.1% during the third quarter of 2020.

### Page 21 Revenue Breakdown by Our Two Business Segments

Let us move to **Page 21** which shows the revenue breakdown of our two business segments, namely revenue from services and sales of products. Our total revenue increased by 7.4% from US\$18.0 million in the third quarter of 2020 to US\$19.3 million in the third quarter of 2021. Revenue from services were US\$10.5 million, representing increase of 6.4% from US\$9.8 million for the same period of 2020. This increase was primarily due to higher revenues from PaaS and SaaS service, partially offset by a decrease in revenues from data connectivity services.

### Page 22 Higher Service Gross Margin Over Overall Gross Margin

Let us turn to **Page 22** for gross margin of our business. Our services gross margin increased to 43.5% and our overall gross margin decreased to 28.3% in the third quarter of 2021 compared to 36.6% and 31.3% during the third quarter of 2020 respectively. The decrease of overall gross margin is mainly because of products mix and rising material costs due to global supply chain constraints during the third quarter of 2021. The increase of our services gross margin during the third 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.

## Page 23 Controlled Operating Expenses During Pandemic of COVID-19

Let us move to **Page 23** 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 maintained 61% in the third quarter of 2021 compared with 65% during the third quarter of 2020 and we will continue to improve our operation efficiency of our business.

## Page 24 Asset Light Business Model

Let us turn to **Page 24** Operating cash flow was negative US\$5.7 million during the third quarter of 2021 compared to negative US\$0.4 million during the third quarter of 2020. Our cash and cash equivalents, and short-term deposits were US\$14.5 million as at September 30, 2021.

Our CAPEX was US\$0.3 million during the third quarter of 2021 compared to US\$0.14 million during the third quarter of 2020.

CAPEX as a percentage of total revenue increased from 0.8% during the third quarter of 2020 to 1.4% during the third quarter of 2021.

## Page 25 Net Income & Adjusted EBITDA

Let us move to **Page 25**. Net loss during the third quarter of 2021 was US\$7.0 million compared to US\$9.7 million during the third quarter of 2020. Adjusted EBITDA was negative US\$5.4 million during the third quarter of 2021 compared to negative US\$5.0 million during the third 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 Equity Group Investor Relations.

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