

## uCloudlink Group Inc. – Product Innovation Unlocks New Opportunities with Growth Potential, Supported by Strong Financial Results

uCloudlink Group Inc. (NASDAQ:UCL)

Share Price: \$1.26

Current Valuation: \$10.00



### Key Statistics

52 Week Range	\$0.97-\$3.30
Avg. Volume (3 months)	273,791
Shares Outstanding	37.49M
Market Capitalization	\$47.24M
EV/Revenue	0.3x
Cash Balance*	\$30.06M
Analyst Coverage	2

\*Cash balance as of Q4 2024

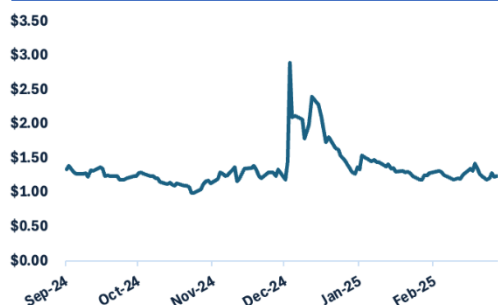
### Revenue (in \$mm)

Dec - FY	2023A	2024A	2025E
1Q	18.0	18.1	18.5
2Q	22.0	22.4	24.5
3Q	23.9	25.2	27.6
4Q	21.7	26.0	29.8
FY	85.6	91.6	100.4

### Earnings Per ADS (in \$)

Dec - FY	2023A	2024A	2025E
1Q	0.06	0.01	0.02
2Q	(0.02)	0.06	0.06
3Q	0.09	0.09	0.09
4Q	(0.05)	(0.04)	(0.03)
FY	0.08	0.12	0.14

### Stock Price Chart



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### Investment Highlights

- UCL Announced Fourth Quarter and Fiscal Year 2024 Financial Results -** uCloudlink reported total revenues of \$26.0 million, up 19.5% year over year, *compared to our estimate of \$25.3 million*. The increase was primarily due to a 60.9% YoY increase in product sales from an expanded product offering driven by the surging demand for the company's data-related products. Overall gross margin was 43.0%, compared to 52.0% in Q4 2023. Total operating expenses grew from \$12.1 million to \$14.1 million, of which S&M expenses increased by 52.6% over the year as the company increased its investment in promotion and brand building in the B2C arena to gain exposure for its newly launched products. UCL's net loss for Q4 2024 was \$1.5 million, or \$0.04 per basic and diluted ADS, compared to a net loss of \$1.8 million, or \$0.05 per basic and diluted ADS a year ago. For the fiscal year 2024, UCL continued its growth momentum with total revenues reaching \$91.6 million, up 7.1% from \$85.6 million in 2023, thanks to increased product sales as the company diversified its product offerings to meet market demand. Overall gross margin for 2024 was 48.4% vs. 49.0% in 2023, while total operating expenses increased from \$37.9 million to \$42.0 million, leading to a net income of \$4.6 million, or \$0.12 per basic and diluted ADS. *UCL's top-line growth was in line with our expectations. We see the company has the potential to continue this momentum by further diversifying its revenue streams through an expanded product range, while the increased investment in sales and marketing targets improved visibility and market share.*
- PetPhone, eSIM TRIO, and Further Innovations –** uCloudlink showcased its latest innovations in connectivity at MWC 2025, including PetPhone, eSIM TRIO, CloudSIM Kit, and HyperConn® mobile Wi-Fi hotspot, which represent huge market opportunities. PetPhone, which is considered the world's first pet smartphone, enables pet communication through AI-powered live calls, advanced safety through 6-tech global positioning, and tracking through AI health monitoring to achieve interaction between pets and their owners. eSIM TRIO, combining OTA SIM, eSIM, and CloudSIM provides improved connectivity with global coverage. CloudSIM Kit is a plug-and-play IoT solution delivering connectivity for IoT and smart devices. HyperConn® mobile Wi-Fi hotspot (MeowGo G50 Max), backed by HyperConn® technology, offers connectivity across broadband, Wi-Fi, 4G, 5G, and satellite networks. *We view these innovations targeting large markets as potentially unlocking new revenue streams for UCL and driving sales by expanding its user base and strengthening its market presence.*
- Valuation Update -** Our valuation for UCL remains \$10.00, combining discounted cash flow and comparable company analysis, which is contingent on the company maintaining its successful execution.

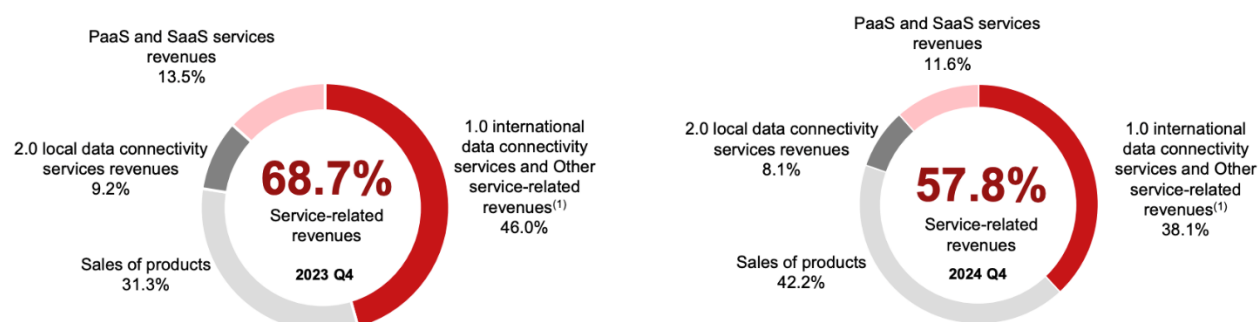
### Company Description

uCloudlink operates as an innovative mobile technology company that offers the world's first and leading mobile data traffic sharing marketplace to users globally. Leveraging its integral cloud SIM technology, it allows users to enjoy a smooth mobile connectivity experience without limitation to one MNO. uCloudlink was incorporated in 2014 and is headquartered in Kowloon, Hong Kong.

## Fourth Quarter and Full Year 2024 Results

For the three months ending December 31, 2024, uCloudlink reported total revenues of \$26.0 million, an increase of 19.5% from \$21.7 million in Q4 2023. Specifically, services revenues were \$15.0 million, up 0.6% from \$14.9 million over the year, primarily due to an increase from \$2.9 million to \$3.0 million in PaaS and SaaS services revenues. Revenues from data connectivity services were down by 0.9% YoY to \$11.7 million, with international and local data connectivity services revenues decreasing \$0.2 million from \$9.8 million and growing \$0.1 million to \$2.1 million, respectively. Revenues from sales of products were \$11.0 million, up 60.9% from \$6.8 million last year, mainly due to increased sales of data-related products. In terms of geographic distribution, Japan as the largest segment contributed 53.6% of total revenues, mainland China contributed 20.0%, while North America and other countries contributed 12.1% and the remaining 14.3%, respectively, compared to 43.1%, 16.5%, 24.3%, and 16.1%, respectively, in Q4 2023. Overall gross profit was \$11.2 million, or 43.0% in gross margin, of which gross margins for services and product sales were 58.6% and 21.7%, respectively, compared to overall gross profit of \$11.3 million, or 52.0% in gross margin in the same period last year. Total operating expenses were \$14.1 million, compared to \$12.1 million in Q4 2023: R&D expenses decreased by 10.3% YoY to \$1.8 million due to lower staff costs; S&M expenses were \$6.2 million, up 52.6% over the year, as the company expanded into new businesses, increasing investments in promotions and brand building to target the 2C market; and G&A expenses increased by 1.1% to \$6.1 million. uCloudlink's net loss for Q4 2024 was \$1.5 million, or \$0.04 per basic and diluted ADS, compared to a net loss of \$1.8 million, or \$0.05 per basic and diluted ADS in the year-ago period.

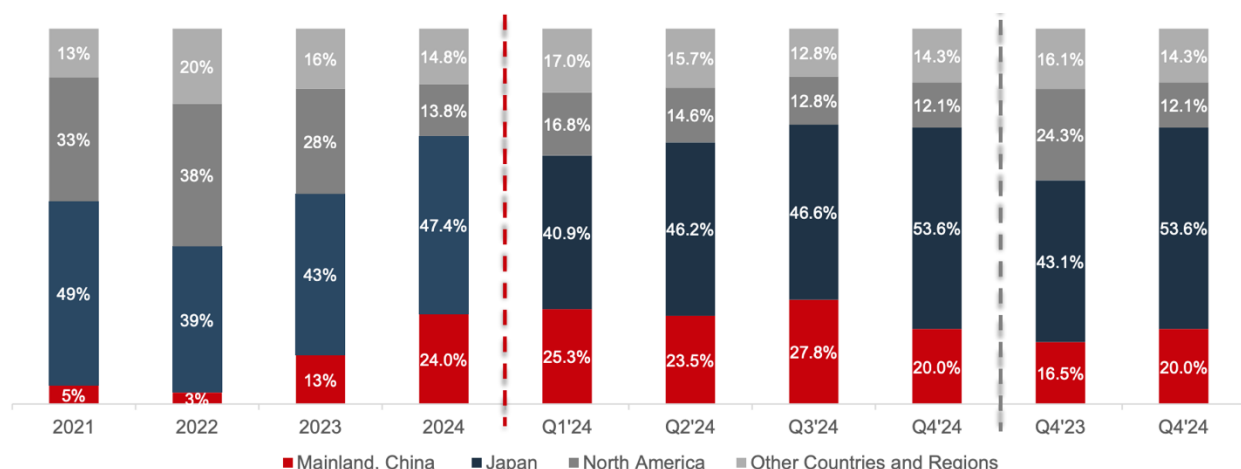
### Revenue Segmentation



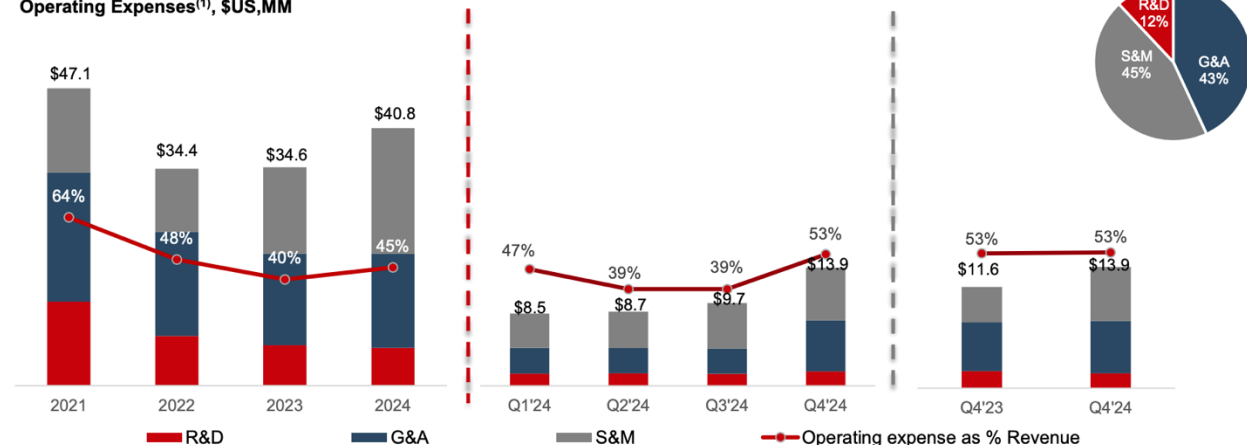
Source: UCL Investor Presentation March 2025

For the fiscal year 2024, the company reported total revenues of \$91.6 million, up 7.1% from \$85.6 million in 2023, with services revenues increasing by 2.4% to \$60.0 million and product sales revenues increasing by 17.1% to \$31.6 million. Services revenues grew primarily due to the increase in revenues from data connectivity services, especially revenues from international data connectivity services which reached \$39.5 million from \$37.9 million over the year as the recovery of international travel accelerated with a demand surge, as well as an increase from \$10.4 million to \$11.3 million in PaaS and SaaS services revenues. Overall gross profit was \$44.4 million, or 48.4% in gross margin, compared to \$42.0 million, or 49.0% in gross margin in 2023. Total operating expenses were \$42.0 million, compared to \$37.9 million in 2023, resulting in a net income of \$4.6 million, or \$0.12 per basic and diluted ADS, compared to a net income of \$2.8 million, or \$0.08 per basic and diluted ADS in 2023.

## Global Revenue Streams



## Operating Expenses<sup>(1)</sup>, \$US,MM



Source: UCL Investor Presentation March 2025

## Liquidity and Balance Sheet

As of December 31, 2024, uCloudlink's cash and cash equivalents totaled \$30.1 million, compared to \$27.7 million as of September 30, 2024, primarily due to the net inflow of \$0.5 million from operations and net proceeds of \$5.6 million from bank borrowings, partially offset by a payment of \$0.6 million for capital expenditures and a repayment of \$2.5 million in other borrowings. CAPEX was \$0.6 million compared to \$0.4 million in the same period of 2023. *We believe that UCL's asset-light business model and continued positive operating cash flow will enable it to further strengthen its balance sheet, positioning the company for potentially long-term sustainable growth.*

## Management Guidance

uCloudlink expects total revenues to be between \$18.2 and \$19.5 million for Q1 2025 and \$95.0 and \$130.0 million for 2025, representing an increase of 0.6% to 7.7% compared to the same period of 2024 and an increase of 3.7% to 41.9% from that of 2024, respectively.

## Investment Thesis

uCloudlink is targeting the large mobile data connectivity service market driven by the increasing adoption of mobile devices and internet penetration. This includes the local data connectivity market, the international roaming market as well as the global IoT market. In addition, the robust development of the entire IoT industry further drives the demand for the data usage and connectivity services as we approach 5G widespread adoption, where entirely new applications will be possible in various application scenarios such as mobile broadband (MBB) and fixed broadband (FBB), industrial automation, autonomous driving, AR/VR, internet of vehicles, cargo transportation and logistics and cloud computing, which may require new mobile data connectivity solution for users, hardware vendors and carriers with higher speed and more reliable connections. uCloudlink operates as an innovative mobile technology company that offers the world's first and leading mobile data traffic sharing marketplace to billions of users globally, serving 2,818 business partners in 62 countries and regions, with aggregated mobile data allowances from 391 mobile network operators (MNOs) globally as of December 31, 2024. Leveraging its integral cloud SIM technology and architecture, which allows dynamic selection of network services based on signal coverage and cost, and intelligent distribution of data traffic in the SIM card pool to terminals that may support multiple end devices through its cloud SIM platform, the company provides mobile data connectivity services with reliable connections, high speeds and competitive pricing, allowing users to enjoy a smooth mobile connectivity experience without limitation to one particular MNO. Currently the company operates its business under what they refer to as uCloudlink 1.0 and uCloudlink 2.0 models. Under the UCL1.0, the company primarily offers pocket WIFI leasing, mobile WIFI retail, GMI mobile phone roaming, and other related services for international travelers that need mobile data connectivity services across different countries, although we note various products also are compatible in local markets. Products of UCL 2.0 stage includes home broadband, GMI mobile phone data service, IoT data service and other related services, and aim to provide mobile data connectivity services to local users across different MNOs in a single country. uCloudlink is well positioned to capture growing mobile data connectivity service market segments by leveraging its sophisticated cloud SIM and HyperConn technology, distinct mobile data traffic sharing marketplace enabling a smooth mobile connectivity experience, and seasoned management team with years of operational experience in industry. As of December 31, 2024, UCL had 185 patents with 165 approved and 20 pending approvals. Beyond traditional UCL1.0 and 2.0 data connectivity businesses, the company was actively exploring additional business opportunities beyond portable Wi-Fi terminals by introducing four distinct business lines in 2024, which include **GlocalMe Mobile/Fixed Broadband, GlocalMe SIM, GlocalMe Life, and IoT Solutions**, with each line having an expanded array of comprehensive data connectivity solutions to build its broader GlocalMe ecosystem. The company's GlocalMe Life aims to integrate technology with daily life through higher-quality connections, enabling uCloudlink to extend its business into more frequent life scenarios in addition to travel, such as item tracking, pet management, and emergency communication. We believe that uCloudlink appears to be well-positioned to deliver long-term sustainable growth with expanded market presence, as its reorganized product lines backed by proprietary cloud SIM and HyperConn technology target broader consumer base with more diversified products to be launched and generate meaningful revenues since 2024, which represents huge market opportunities. *Given uCloudlink's growth potential and relatively inexpensive valuation, the company in our view offers investors a unique opportunity to invest in the growing data connectivity industry, as 5G adoption expands, which is likely to benefit from the institutional money flowing into the global mobile data connectivity service industry.*

*uCloudlink is targeting the enormous mobile data connectivity service market driven by the increasing adoption of mobile devices and internet penetration, and the surging demand for optimal mobile data traffic solutions with high speed and reliable connections, as 5G adoption grows*

*We view uCloudlink as well positioned to capture market segments with its sophisticated cloud SIM technology and architecture, distinct mobile data traffic sharing marketplace enabling a smooth mobile connectivity experience, and seasoned management team with years of operational experience in the industry*

## Risk Factors

- uCloudlink's business has been and is likely to continue to be materially adversely affected by the outbreak of COVID-19. uCloudlink depends on network operators for their wireless networks, infrastructure, and data traffic. Any disruptions of or limitations on the company's use of such networks, infrastructure and data traffic may adversely affect its business and financial results
- The company's ability to grow its business and user base for its service may be limited unless it can continue to obtain data traffic at favorable rates
- Litigation at uCloudlink is still ongoing. The company is, and may in the future be, subject to intellectual property claims, which are costly to defend, could result in significant damage awards, disrupt its business operation, and could limit its ability to use certain technologies in the future
- Since the governments in countries and regions such as China and Japan have or will strengthen the enforcement of regulation over use of M2M cards and real-name registration for SIM card users, the development of its 2.0 business may be slowed down
- The company is highly regulated in all its areas of operations and could be impacted by regulatory changes
- If expansions into new businesses do not achieve the expected results, the company's future operations and growth prospects may be materially and adversely affected
- Trading range of ADSs are highly volatile, which could result in large losses for investors. The company's ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are in China
- Founders hold substantial ownership of company; two founders own roughly 50% of outstanding shares and 92% of the aggregate voting power and their interests may not always be aligned with independent shareholders
- uCloudlink has limited liquidity and overall awareness, limiting its ability to obtain fair valuation
- uCloudlink is a small capitalization business and as such may struggle to attract sufficient sell-side coverage and exposure and will face specific executional risk factors because of its smaller size relative to large capitalization equities

***These Risk Factors Are Not Comprehensive. For Full List of Risk Factors Please Read uCloudlink Group Inc.'s Latest Prospectus and/or 20F Filing Risk Factors***



## Income Statement

(\$ in M)	FY19A	FY20A	FY21A	FY22A	FY23A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
<b>REVENUES:</b>													
Revenues from services	91.11	46.15	37.80	46.23	58.57	60.00	13.78	15.49	18.90	17.44	65.62	72.64	82.79
Sales of products	67.27	43.42	36.03	25.23	27.01	31.63	4.76	9.00	8.69	12.31	34.76	39.19	45.01
<b>Total net revenues</b>	<b>158.38</b>	<b>89.57</b>	<b>73.83</b>	<b>71.46</b>	<b>85.58</b>	<b>91.64</b>	<b>18.54</b>	<b>24.49</b>	<b>27.59</b>	<b>29.75</b>	<b>100.37</b>	<b>111.83</b>	<b>127.80</b>
Cost of services	(35.59)	(26.39)	(21.56)	(20.35)	(24.32)	(23.50)	(5.32)	(5.98)	(7.30)	(6.73)	(25.33)	(27.60)	(31.05)
Cost of products sold	(57.87)	(34.87)	(30.43)	(18.58)	(19.29)	(23.77)	(3.48)	(6.57)	(6.34)	(9.33)	(25.72)	(28.61)	(32.41)
<b>Total cost of revenues</b>	<b>(93.46)</b>	<b>(61.26)</b>	<b>(51.99)</b>	<b>(38.93)</b>	<b>(43.61)</b>	<b>(47.27)</b>	<b>(8.79)</b>	<b>(12.55)</b>	<b>(13.64)</b>	<b>(16.07)</b>	<b>(51.05)</b>	<b>(56.21)</b>	<b>(63.46)</b>
<b>Gross (loss) profit</b>	<b>64.92</b>	<b>28.31</b>	<b>21.84</b>	<b>32.53</b>	<b>41.97</b>	<b>44.36</b>	<b>9.75</b>	<b>11.94</b>	<b>13.95</b>	<b>13.69</b>	<b>49.32</b>	<b>55.62</b>	<b>64.35</b>
<b>OPERATING EXPENSES:</b>													
Sales and marketing expenses	(24.37)	(29.26)	(13.62)	(10.31)	(14.30)	(19.93)	(4.17)	(4.90)	(5.79)	(6.92)	(21.78)	(24.60)	(28.63)
Research and development expenses	(15.11)	(26.36)	(13.70)	(8.43)	(6.46)	(6.20)	(1.45)	(1.45)	(1.45)	(1.78)	(6.12)	(6.04)	(6.01)
General and administrative expenses	(20.22)	(43.22)	(28.55)	(18.73)	(17.12)	(15.95)	(3.34)	(3.23)	(3.15)	(6.04)	(15.76)	(15.54)	(15.34)
Other expense, net	0.29	7.55	(11.88)	(14.27)	(1.50)	2.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total operating expenses</b>	<b>(59.41)</b>	<b>(91.29)</b>	<b>(67.75)</b>	<b>(51.73)</b>	<b>(39.38)</b>	<b>(39.98)</b>	<b>(8.96)</b>	<b>(9.57)</b>	<b>(10.39)</b>	<b>(14.74)</b>	<b>(43.66)</b>	<b>(46.19)</b>	<b>(49.97)</b>
<b>EBIT</b>	<b>5.51</b>	<b>(62.98)</b>	<b>(45.91)</b>	<b>(19.19)</b>	<b>2.59</b>	<b>4.38</b>	<b>0.79</b>	<b>2.37</b>	<b>3.56</b>	<b>(1.06)</b>	<b>5.66</b>	<b>9.43</b>	<b>14.38</b>
Interest income	0.19	0.04	0.01	0.02	0.07	0.23	0.01	0.02	0.01	0.02	0.07	0.07	0.08
Interest expenses	(0.44)	(0.29)	(0.19)	(0.44)	(0.13)	(0.20)	(0.06)	(0.04)	(0.03)	(0.09)	(0.21)	(0.24)	(0.27)
Amortization of beneficial conversion feature				(0.15)									
<b>Income(loss) before income tax</b>	<b>5.26</b>	<b>(63.23)</b>	<b>(46.08)</b>	<b>(19.76)</b>	<b>2.52</b>	<b>4.42</b>	<b>0.75</b>	<b>2.35</b>	<b>3.54</b>	<b>(1.12)</b>	<b>5.51</b>	<b>9.27</b>	<b>14.19</b>
Income tax expenses (benefits)	(0.06)	(0.19)	(0.24)	(0.16)	(0.07)	(0.07)	(0.01)	(0.04)	(0.03)	0.00	(0.08)	(0.14)	(0.21)
Share of profit in equity method investment, net of tax			0.29	0.07	0.36	0.21							
<b>Adj. Net profit/(loss)</b>	<b>5.21</b>	<b>(63.42)</b>	<b>(46.04)</b>	<b>(19.85)</b>	<b>2.81</b>	<b>4.56</b>	<b>0.73</b>	<b>2.32</b>	<b>3.50</b>	<b>(1.12)</b>	<b>5.43</b>	<b>9.13</b>	<b>13.97</b>
Accretion of Series A-2 ordinary shares and Series A Preferred Shares	(2.54)	(1.29)											
Allocation to Series A-2 ordinary shares													
Income allocation to participating preferred shareholders	(0.30)												
<b>Net income/(loss) attributable to Company</b>	<b>2.37</b>	<b>(64.71)</b>	<b>(46.04)</b>	<b>(19.85)</b>	<b>2.81</b>	<b>4.56</b>	<b>0.73</b>	<b>2.32</b>	<b>3.50</b>	<b>(1.12)</b>	<b>5.43</b>	<b>9.13</b>	<b>13.97</b>
<i>Net income margin</i>	1.5%	-72.2%	-62.4%	-27.8%	3.3%	5.0%	4.0%	9.5%	12.7%	-3.8%	5.4%	8.2%	10.9%
Foreign currency translation adjustment	0.03	(1.14)	(0.02)	2.32	0.59	(0.23)							
<b>Total comprehensive income/(loss)</b>	<b>5.24</b>	<b>(64.55)</b>	<b>(46.06)</b>	<b>(17.53)</b>	<b>3.40</b>	<b>4.33</b>	<b>0.73</b>	<b>2.32</b>	<b>3.50</b>	<b>(1.12)</b>	<b>5.43</b>	<b>9.13</b>	<b>13.97</b>
<i>Comprehensive income attributable margin</i>	3.3%	-72.1%	-62.4%	-24.5%	4.0%	4.7%	4.0%	9.5%	12.7%	-3.8%	5.4%	8.2%	10.9%
<b>Earnings per share</b>													
Basic	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	0.00	0.01	0.01	(0.00)	0.01	0.02	0.04
Diluted	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	0.00	0.01	0.01	(0.00)	0.01	0.02	0.04
<b>Earnings per ADS (10 Class A equal to 1 ADS)</b>													
Basic	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	0.02	0.06	0.09	(0.03)	0.14	0.24	0.36
Diluted	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	0.02	0.06	0.09	(0.03)	0.14	0.24	0.36
<b>Weighted Average no. of Shares outstanding (in M)</b>													
Basic	232.18	259.85	285.98	312.49	371.73	376.34	378.97	379.97	380.97	381.97	380.47	384.47	387.47
Diluted	232.18	259.85	285.98	312.49	371.73	376.34	378.97	379.97	380.97	381.97	380.47	384.47	387.47

Source: Diamond Equity Research/Company Filings

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