

## uCloudlink Group Inc. – Growth Momentum Continues in the First Quarter, with New Innovative Offerings Targeted for Second Half of Year

uCloudlink Group Inc. (NASDAQ:UCL)

Share Price: \$1.45

Current Valuation: \$10.00



### Key Statistics

|                        |               |
|------------------------|---------------|
| 52 Week Range          | \$0.80-\$3.30 |
| Avg. Volume (3 months) | 50,157        |
| Shares Outstanding     | 37.49M        |
| Market Capitalization  | \$54.57M      |
| EV/Revenue             | 0.3x          |
| Cash Balance*          | \$31.08M      |
| Analyst Coverage       | 2             |

\*Cash balance as of Q1 2025

### Revenue (in \$mm)

| Dec - FY | 2023A | 2024A | 2025E |
|----------|-------|-------|-------|
| 1Q       | 18.0  | 18.1  | 18.7  |
| 2Q       | 22.0  | 22.4  | 23.2  |
| 3Q       | 23.9  | 25.2  | 27.2  |
| 4Q       | 21.7  | 26.0  | 29.8  |
| FY       | 85.6  | 91.6  | 99.0  |

### Earnings Per ADS (in \$)

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

### Stock Price Chart



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### Investment Highlights

- Q1 Results Exceed Expectations** - uCloudlink reported its financial results for Q1 2025, with total revenues of \$18.7 million, up 3.4% year over year, *exceeding our estimate of \$18.5 million*, including service revenue of \$14.2 million and product sales of \$4.5 million. The growth was primarily due to higher revenues from international data connectivity services, which was driven by the continued recovery of international travel. The overall gross margin was 51.7% versus 55.2% in Q1 2024, of which the service gross margin was 57.3% and the product sales gross margin was 34.3%. Total operating expenses were \$10.2 million compared with \$9.0 million a year ago, mainly due to an increase of \$1.6 million in S&M expenses as the company continued to invest more in promoting its newest and upcoming products. uCloudlink's net loss for Q1 2025 was \$0.6 million, or \$0.02 per basic and diluted ADS, versus a net income of \$0.4 million, or \$0.01 per basic and diluted ADS in the year-ago period. *uCloudlink continued its growth momentum with higher revenues and positive operating cash flows, which was in line with our expectations. Although the increased marketing expenses due to the promotion of new products to be launched temporarily affected its net profit, we believe that this move could ultimately help the company establish brand awareness and gain exposure, thereby expanding sales in the global market and supporting its growth and long-term sustainable development.*
- PetPhone With Additional Innovative Products Targeted for Second Quarter** – uCloudlink just announced the commercial launch of its latest solutions, including PetPhone, eSIM Trio, CloudSIM Kit, and MeowGo G50 Max, in May and June this year, which were showcased at MWC Barcelona 2025, attracting the attention of the market and potential partners. The company's pet connectivity solution, PetPhone, is considered the world's first pet smartphone and has gained exposure in the pet care market, enabling 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. As well as delivering further innovation, new products such as PetPhone seek to provide the company the opportunity to reach and engage new categories of users, including pet owners, which represent large growth potential given their large base and the growing pet population worldwide. According to the company, it plans to start mass production in the third quarter of this year and has been in cooperation discussions with major operators and channels, with several partnerships expected to be finalized in the coming months. *We believe the company appears well positioned to leverage the opportunities presented by these new products and potential partnerships to expand its product portfolio and create additional revenue streams for further growth.*
- 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.

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.

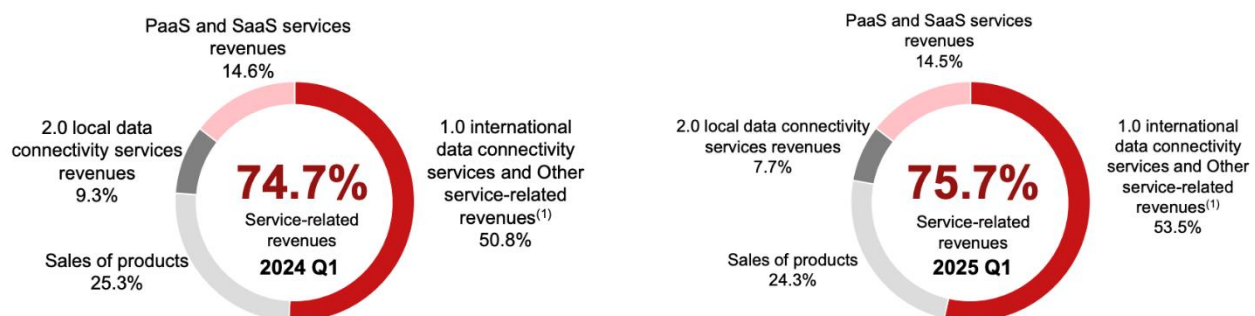
## First Quarter 2025 Results

For the three months ending March 31, 2025, uCloudlink reported total revenues of \$18.7 million, an increase of 3.4% from \$18.1 million in Q1 2024. Among them, services revenues were \$14.2 million, up 4.9% from \$13.5 million over the year, primarily due to an increase from \$10.7 million to \$11.2 million in revenues from data connectivity services, which was aided by the continual recovery of international travel, and a 2.8% YoY increase to \$2.7 million in revenues from PaaS and SaaS services. Sales of products declined by 0.9% YoY to \$4.5 million, mainly due to lower sales of data-related products. In terms of geographic distribution, Japan as the company’s largest market contributed 40.4% of total revenues, mainland China contributed 31.2%, while North America and other countries contributed 12.9% and the remaining 15.5%, respectively, compared to 40.9%, 25.3%, 16.8%, and 17.0%, respectively, in Q1 2024. Overall gross profit was \$9.7 million, or 51.7% in gross margin, compared to \$10.0 million, or 55.2% in gross margin in the same period last year. Total operating expenses were \$10.2 million, compared to \$9.0 million in Q1 2024: R&D expenses decreased by 5.3% YoY to \$1.4 million; S&M expenses were \$5.7 million, up 40.6% over the year as the company continued to invest in promoting its newest and upcoming products, increasing promotion fees, services fees, employee benefit expenses, and exhibition expenses; and G&A expenses declined by 7.3% to \$3.1 million, primarily attributable to streamlining of professional service fees. uCloudlink’s net loss for Q1 2025 was \$0.6 million, or \$0.02 per basic and diluted ADS, compared to a net income of \$0.4 million, or \$0.01 per basic and diluted ADS in the year-ago period.

| Variance Table (\$ in millions, except per share data) |          |          |                                 |
|--|----------|----------|---------------------------------|
|  | Q1 2025E | Q1 2025A | Variance (Actual Versus Result) |
| Revenue  | 18.5     | 18.7     | 0.2                             |
| EPS  | 0.02     | (0.02)   | (0.04)                          |

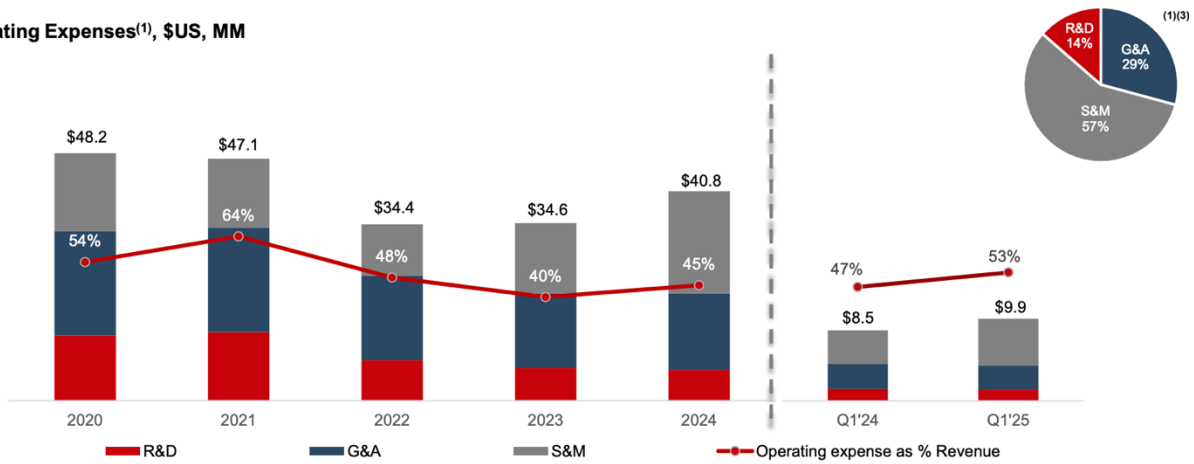
Source: Diamond Equity Research

## Revenues Segmentation



Source: UCL Investor Presentation May 2025

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

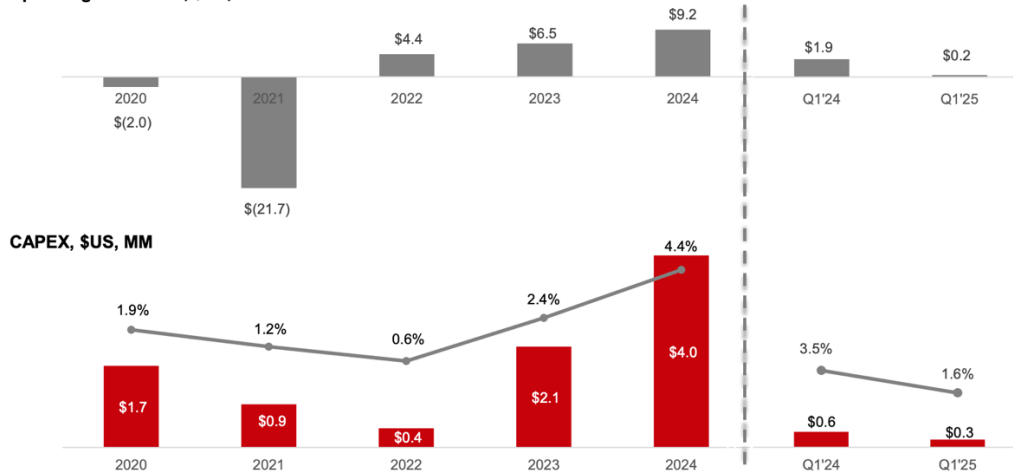


Source: UCL Investor Presentation May 2025

## Liquidity and Balance Sheet

As of March 31, 2025, uCloudlink’s cash and cash equivalents totaled \$31.1 million, compared to \$30.1 million as of December 31, 2024, primarily due to a net inflow of \$0.2 million from operations and proceeds of \$1.3 million from bank borrowings, partially offset by a payment of \$0.3 million for capital expenditures and repayments of \$0.3 million for bank borrowings. CAPEX was \$0.3 million compared to \$0.6 million in the same period of 2024. *We view the company’s continued positive operating cash flows further strengthening its balance sheet, demonstrating uCloudlink’s ability to achieve financial sustainability to support its long-term operations and growth.*

**Operating Cash Flow, \$US, MM**



Source: UCL Investor Presentation May 2025

## Management Guidance

uCloudlink expects total revenues to be between \$23.0 and \$25.0 million for Q2 2025, representing an increase of 2.7% to an increase of 11.6% compared to the same period of 2024.

## 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 2,878 business partners in 63 countries and regions, with aggregated mobile data allowances from 391 mobile network operators (MNOs) globally as of March 31, 2025. 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 March 31, 2025, UCL had 183 patents with 169 approved and 14 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          | 1Q25A          | 2Q25E          | 3Q25E          | 4Q25E          | FY25E          | FY26E          | FY27E          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>REVENUES:</b>  |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Revenues from services  | 91.11          | 46.15          | 37.80          | 46.23          | 58.57          | 60.00          | 14.20          | 15.49          | 18.90          | 17.02          | 65.62          | 72.64          | 82.79          |
| Sales of products   | 67.27          | 43.42          | 36.03          | 25.23          | 27.01          | 31.63          | 4.55           | 7.67           | 8.34           | 12.80          | 33.36          | 37.61          | 43.20          |
| <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>18.75</b>   | <b>23.16</b>   | <b>27.24</b>   | <b>29.82</b>   | <b>98.98</b>   | <b>110.25</b>  | <b>125.99</b>  |
| Cost of services  | (35.59)        | (26.39)        | (21.56)        | (20.35)        | (24.32)        | (23.50)        | (6.07)         | (6.43)         | (7.90)         | (7.16)         | (27.56)        | (29.78)        | (33.53)        |
| Cost of products sold   | (57.87)        | (34.87)        | (30.43)        | (18.58)        | (19.29)        | (23.77)        | (2.99)         | (5.22)         | (5.92)         | (9.23)         | (23.35)        | (26.33)        | (30.24)        |
| <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>(9.06)</b>  | <b>(11.65)</b> | <b>(13.82)</b> | <b>(16.38)</b> | <b>(50.91)</b> | <b>(56.11)</b> | <b>(63.77)</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>9.69</b>    | <b>11.52</b>   | <b>13.42</b>   | <b>13.44</b>   | <b>48.07</b>   | <b>54.14</b>   | <b>62.22</b>   |
| <b>OPERATING EXPENSES:</b>  |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Sales and marketing expenses  | (24.37)        | (29.26)        | (13.62)        | (10.31)        | (14.30)        | (19.93)        | (5.69)         | (5.79)         | (5.99)         | (6.28)         | (23.75)        | (27.01)        | (31.50)        |
| Research and development expenses                                     | (15.11)        | (26.36)        | (13.70)        | (8.43)         | (6.46)         | (6.20)         | (1.40)         | (1.46)         | (1.46)         | (1.71)         | (6.04)         | (6.39)         | (6.93)         |
| General and administrative expenses                                   | (20.22)        | (43.22)        | (28.55)        | (18.73)        | (17.12)        | (15.95)        | (3.14)         | (3.26)         | (3.19)         | (5.95)         | (15.54)        | (16.54)        | (17.64)        |
| Other expense, net  | 0.29           | 7.55           | (11.88)        | (14.27)        | (1.50)         | 2.10           | 0.07           | 0.16           | 0.54           | 0.22           | 0.99           | 1.10           | 1.26           |
| <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>(10.16)</b> | <b>(10.36)</b> | <b>(10.10)</b> | <b>(13.72)</b> | <b>(44.34)</b> | <b>(48.84)</b> | <b>(54.80)</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>(0.47)</b>  | <b>1.16</b>    | <b>3.32</b>    | <b>(0.28)</b>  | <b>3.72</b>    | <b>5.30</b>    | <b>7.41</b>    |
| Interest income   | 0.19           | 0.04           | 0.01           | 0.02           | 0.07           | 0.23           | 0.01           | 0.02           | 0.01           | 0.03           | 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)         | (0.08)         | (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>(0.52)</b>  | <b>1.14</b>    | <b>3.30</b>    | <b>(0.34)</b>  | <b>3.58</b>    | <b>5.14</b>    | <b>7.23</b>    |
| Income tax expenses (benefits)  | (0.06)         | (0.19)         | (0.24)         | (0.16)         | (0.07)         | (0.07)         | (0.09)         | (0.00)         | (0.00)         | (0.02)         | (0.11)         | (0.08)         | (0.11)         |
| Share of profit in equity method investment, net of tax               |                |                | 0.29           | 0.07           | 0.36           | 0.21           | (0.00)         |                |                |                |                |                |                |
| <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>(0.61)</b>  | <b>1.14</b>    | <b>3.29</b>    | <b>(0.35)</b>  | <b>3.47</b>    | <b>5.06</b>    | <b>7.12</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>(0.61)</b>  | <b>1.14</b>    | <b>3.29</b>    | <b>(0.35)</b>  | <b>3.47</b>    | <b>5.06</b>    | <b>7.12</b>    |
| <i>Net income margin</i>  | <i>1.5%</i>    | <i>-72.2%</i>  | <i>-62.4%</i>  | <i>-27.8%</i>  | <i>3.3%</i>    | <i>5.0%</i>    | <i>-3.3%</i>   | <i>4.9%</i>    | <i>12.1%</i>   | <i>-1.2%</i>   | <i>3.5%</i>    | <i>4.6%</i>    | <i>5.7%</i>    |
| 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>(0.61)</b>  | <b>1.14</b>    | <b>3.29</b>    | <b>(0.35)</b>  | <b>3.47</b>    | <b>5.06</b>    | <b>7.12</b>    |
| <i>Comprehensive income attributable margin</i>                       | <i>3.3%</i>    | <i>-72.1%</i>  | <i>-62.4%</i>  | <i>-24.5%</i>  | <i>4.0%</i>    | <i>4.7%</i>    | <i>-3.3%</i>   | <i>4.9%</i>    | <i>12.1%</i>   | <i>-1.2%</i>   | <i>3.5%</i>    | <i>4.6%</i>    | <i>5.7%</i>    |
| <b>Earnings per share</b>   |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Basic   | 0.01           | (0.25)         | (0.16)         | (0.06)         | 0.01           | 0.01           | (0.00)         | 0.00           | 0.01           | (0.00)         | 0.01           | 0.01           | 0.02           |
| Diluted   | 0.01           | (0.25)         | (0.16)         | (0.06)         | 0.01           | 0.01           | (0.00)         | 0.00           | 0.01           | (0.00)         | 0.01           | 0.01           | 0.02           |
| <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)         | 0.03           | 0.09           | (0.01)         | 0.09           | 0.13           | 0.19           |
| Diluted   | 0.10           | (2.49)         | (1.61)         | (0.64)         | 0.08           | 0.12           | (0.02)         | 0.03           | 0.09           | (0.01)         | 0.09           | 0.13           | 0.19           |
| <b>Weighted Average no. of Shares outstanding (in M)</b>              |                |                |                |                |                |                |                |                |                |                |                |                |                |
| Basic   | 232.18         | 259.85         | 285.98         | 312.49         | 371.73         | 376.34         | 376.23         | 377.23         | 378.23         | 379.23         | 377.73         | 381.73         | 384.73         |
| Diluted   | 232.18         | 259.85         | 285.98         | 312.49         | 371.73         | 376.34         | 376.23         | 377.23         | 378.23         | 379.23         | 377.73         | 381.73         | 384.73         |

Source: Diamond Equity Research

## Disclosures

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