

uCloudlink Group Inc. – Expanding Ecosystem with Product Innovation and Growth Initiatives, While Navigating Macroeconomic Uncertainty

uCloudlink Group Inc. (NASDAQ:UCL)

Share Price: \$3.91

Current Valuation: \$10.00



Key Statistics

52 Week Range	\$0.80-\$4.19
Avg. Volume (3 months)	126,991
Shares Outstanding	37.49M
Market Capitalization	\$147.14M
EV/Revenue	1.4x
Cash Balance*	\$30.20M
Analyst Coverage	2

*Cash balance as of Q2 2025

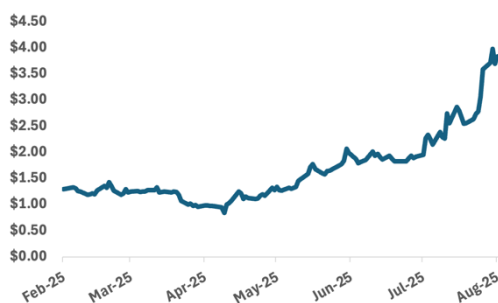
Revenue (in \$mm)

Dec - FY	2023A	2024A	2025E
1Q	18.0	18.1	18.7
2Q	22.0	22.4	19.4
3Q	23.9	25.2	22.8
4Q	21.7	26.0	25.3
FY	85.6	91.6	86.2

Earnings Per ADS (in \$)

Dec - FY	2023A	2024A	2025E
1Q	0.06	0.01	(0.02)
2Q	(0.02)	0.06	0.02
3Q	0.09	0.09	0.06
4Q	(0.05)	(0.04)	0.01
FY	0.08	0.12	0.07

Stock Price Chart



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Investment Highlights

- uCloudlink Announced Q2 Results** - uCloudlink reported its financial results for Q2 2025, with total revenues of \$19.4 million, a year-on-year decrease of 13.3%, including \$14.6 million in service revenue (up 3.3%) and \$4.8 million in product sales (down 42%). The decline in product sales was primarily due to the delay of a multi-million-dollar mobile broadband order from Japan (which will be placed in Q3), as well as lower-than-expected sales in the U.S. market due to the macroeconomic and trade headwinds. This resulted in a geographical shift in the company's revenue structure, with Japan contributing 33.6% (down from 46.2%), mainland China 33.2% (up from 23.5%), North America 15.3%, and other regions 17.9%. The overall gross margin expanded from 49.2% to 52.8%, primarily due to the increase in product gross profit margin. Operating expenses increased to \$10.4 million, mainly due to a 28.2% rise in sales and marketing costs as the company continued to invest more in branding its upcoming products. uCloudlink's net income for Q2 2025 was \$0.7 million, or \$0.02 per basic and diluted ADS, versus a net income of \$2.2 million, or \$0.06 per basic and diluted ADS in the year-ago period. *uCloudlink achieved solid service revenue growth and margin expansion, in line with our expectations. At the same time, the company is actively adjusting its supply chain to offset the impact of trade tariffs and will launch new products starting in Q3 to further diversify its product mix, which we believe will help support its targeted long-term growth and sustainable profitability.*
- GlocalMe Ecosystem Continues to Gain Traction and Growth Momentum** - uCloudlink's average month active terminals (MAT) for GlocalMe IoT, GlocalMe SIM, and GlocalMe Life increased by 791.0%, 120.1%, and 105.2% YoY, respectively, demonstrating robust growth in its GlocalMe ecosystem. We believe the growth is driven by the company's focused investment in R&D and marketing for new product lines, as well as the establishment of strategic partnerships. The company has innovated and achieved advancements across its multiple product lines: its pet connectivity solution, PetPhone, which is expected to be commercially released in Q3 this year, has attracted several potential strategic partners, one of which will assist PetPhone in listing in Hong Kong and thus expanding its global market reach; the GlocalMe IoT solutions experienced significant YoY increase in user adoption since commercialization, enabling IoT connectivity solutions for various verticals; eSIM Trio, the latest GlocalMe SIM solution has also gained market visibility and exposure with positive feedback. *We believe these innovations will further expand the company's product portfolio and diversify its revenue streams, thereby driving future growth.*
- Valuation Update** – Despite macroeconomic challenges and trade headwinds, uCloudlink is actively mitigating the impact of tariffs by adjusting its supply chain while creating new growth opportunities through product innovation. 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.

Second Quarter 2025 Results

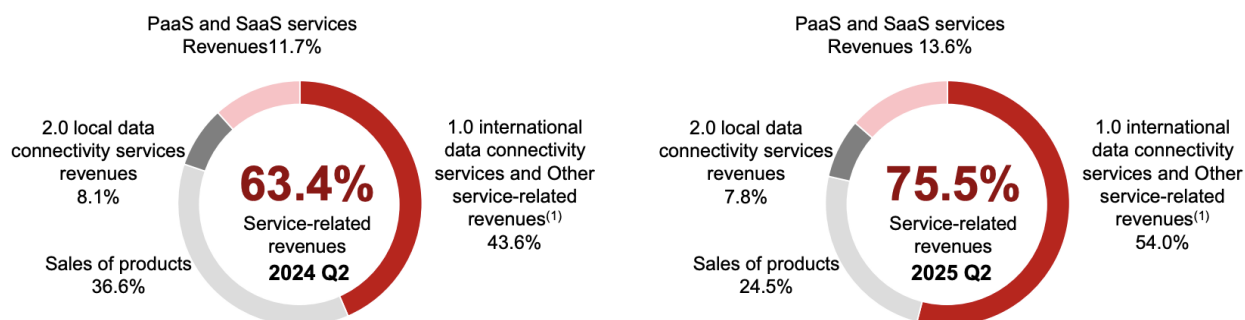
For the three months ending June 30, 2025, uCloudlink reported total revenues of \$19.4 million, a decrease of 13.3% from \$22.4 million in Q2 2024, as growth in services was offset by declines in product sales. Service revenues were \$14.6 million, up 3.3% from \$14.2 million over the year, led by a 2.1% increase in data connectivity services to \$11.5 million, driven by stronger international data demand (up to \$10.0 million from \$9.4 million) amid recovering travel. PaaS and SaaS revenues were stable at \$2.6 million. Product sales fell 42.0% to \$4.8 million due to lower terminal and data-related product sales. In terms of geographic distribution, Japan, as the company's largest market, contributed 33.6% of total revenues, mainland China contributed 33.2%, while North America and other countries contributed 15.3% and the remaining 17.9%, respectively, compared to 46.2%, 23.5%, 14.6%, and 15.7%, respectively, in Q2 2024. Overall gross profit was \$10.2 million, or 52.8% in gross margin, compared to \$11.0 million, or 49.2% in gross margin in the same period last year. Total operating expenses were \$10.4 million, compared to \$9.1 million in Q2 2024: R&D expenses increased by 5.0% YoY to \$1.6 million; S&M expenses were \$5.5 million, up 28.2% over the year as the company continued to invest in promoting its newest and upcoming products, increasing promotion fees, staff costs, service fees, and operating lease payments; and G&A expenses slightly increased by 2.1% to \$3.3 million. uCloudlink's net income for Q2 2025 was \$0.7 million, or \$0.02 per basic and diluted ADS, compared to a net income of \$2.2 million, or \$0.06 per basic and diluted ADS in the year-ago period.

Overall, uCloudlink delivered solid service revenue growth and margin expansion, but faced headwinds from lower product sales due to macroeconomic and trade issues, as well as higher operating expenses (primarily sales and marketing expenses), resulting in lower-than-expected overall profitability in the quarter.

Variance Table (\$ in millions, except per share data)			
	Q2 2025E	Q2 2025A	Variance (Actual Versus Result)
Revenue	23.2	19.4	(3.8)
EPS	0.03	0.02	(0.01)

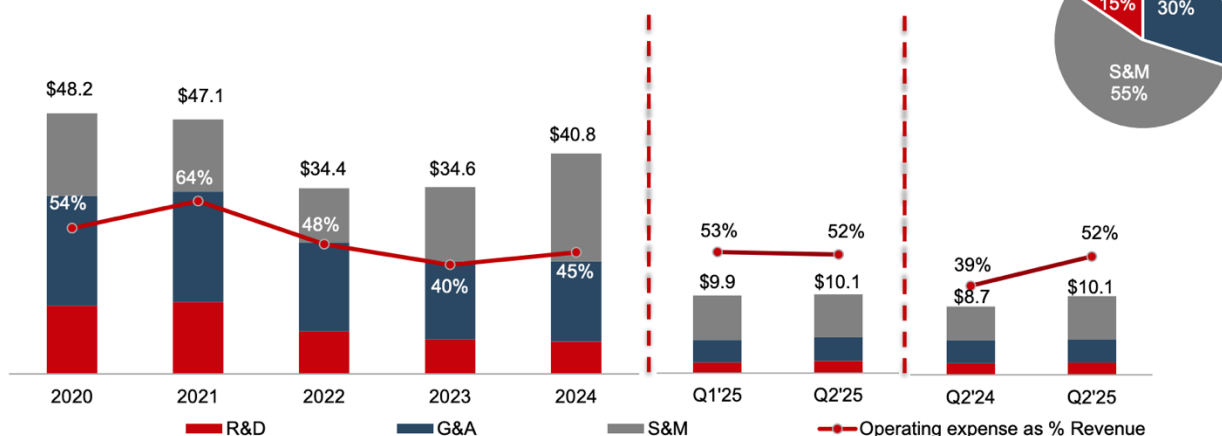
Source: Diamond Equity Research

Revenues Segmentation



Source: UCL Investor Presentation August 2025

Operating expenses⁽¹⁾ US\$mm



Source: UCL Investor Presentation August 2025

Liquidity and Balance Sheet

As of June 30, 2025, uCloudlink's cash and cash equivalents totaled \$30.2 million, compared to \$31.1 million as of March 31, 2025, primarily due to a net outflow of \$0.9 million from operations and the payment of \$0.2 million for capital expenditures. CAPEX was \$0.2 million compared to \$1.6 million in the same period of 2024. *uCloudlink's balance sheet remains stable and healthy, indicating the company's ability to achieve financial sustainability to support its long-term operations and growth.*

Management Guidance

uCloudlink expects total revenues to be between \$22.0 and \$26.0 million for Q3 2025, representing a decrease of 12.7% to an increase of 3.2% compared to the same period of 2024. The company has revised its full-year 2025 total revenue outlook to a range of \$85 million to \$95 million from the previously announced range of \$95 million to \$130 million considering the persistent macroeconomic challenges and global trade headwinds, which may continue to have a broader impact across industries.

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 2,956 business partners in 63 countries and regions, with aggregated mobile data allowances from 391 mobile network operators (MNOs) globally as of June 30, 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 June 30, 2025, UCL had 183 patents with 167 approved and 16 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 GlocalMe 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 global macroeconomic and trade headwinds in the aftermath of the COVID-19 pandemic. 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	2Q25A	3Q25E	4Q25E	FY25E	FY26E	FY27E
REVENUES:													
Revenues from services	91.11	46.15	37.80	46.23	58.57	60.00	14.20	14.63	17.18	17.63	63.64	70.47	80.29
Sales of products	67.27	43.42	36.03	25.23	27.01	31.63	4.55	4.75	5.65	7.66	22.61	23.89	27.42
Total net revenues	158.38	89.57	73.83	71.46	85.58	91.64	18.75	19.38	22.83	25.29	86.25	94.36	107.71
Cost of services	(35.59)	(26.39)	(21.56)	(20.35)	(24.32)	(23.50)	(6.07)	(6.35)	(7.04)	(7.27)	(26.73)	(28.89)	(32.52)
Cost of products sold	(57.87)	(34.87)	(30.43)	(18.58)	(19.29)	(23.77)	(2.99)	(2.80)	(3.67)	(5.01)	(14.47)	(15.29)	(17.55)
Total cost of revenues	(93.46)	(61.26)	(51.99)	(38.93)	(43.61)	(47.27)	(9.06)	(9.15)	(10.72)	(12.27)	(41.20)	(44.18)	(50.07)
Gross (loss) profit	64.92	28.31	21.84	32.53	41.97	44.36	9.69	10.23	12.12	13.02	45.05	50.18	57.64
OPERATING EXPENSES:													
Sales and marketing expenses	(24.37)	(29.26)	(13.62)	(10.31)	(14.30)	(19.93)	(5.69)	(5.50)	(5.71)	(6.21)	(23.11)	(25.01)	(28.00)
Research and development expenses	(15.11)	(26.36)	(13.70)	(8.43)	(6.46)	(6.20)	(1.40)	(1.57)	(1.50)	(1.74)	(6.21)	(6.61)	(7.32)
General and administrative expenses	(20.22)	(43.22)	(28.55)	(18.73)	(17.12)	(15.95)	(3.14)	(3.36)	(3.21)	(5.47)	(15.18)	(16.04)	(18.31)
Other expense, net	0.29	7.55	(11.88)	(14.27)	(1.50)	2.10	0.07	1.01	0.72	0.78	2.59	2.83	3.23
Total operating expenses	(59.41)	(91.29)	(67.75)	(51.73)	(39.38)	(39.98)	(10.16)	(9.42)	(9.69)	(12.64)	(41.92)	(44.82)	(50.41)
EBIT	5.51	(62.98)	(45.91)	(19.19)	2.59	4.38	(0.47)	0.81	2.43	0.37	3.13	5.36	7.24
Interest income	0.19	0.04	0.01	0.02	0.07	0.23	0.01	0.03	0.01	0.01	0.06	0.06	0.07
Interest expenses	(0.44)	(0.29)	(0.19)	(0.44)	(0.13)	(0.20)	(0.06)	(0.06)	(0.06)	(0.06)	(0.23)	(0.25)	(0.29)
Amortization of beneficial conversion feature				(0.15)									
Income(loss) before income tax	5.26	(63.23)	(46.08)	(19.76)	2.52	4.42	(0.52)	0.78	2.38	0.33	2.96	5.17	7.02
Income tax expenses (benefits)	(0.06)	(0.19)	(0.24)	(0.16)	(0.07)	(0.07)	(0.09)	(0.10)	(0.07)	(0.04)	(0.30)	(0.41)	(0.56)
Share of profit in equity method investment, net of tax			0.29	0.07	0.36	0.21	(0.00)	(0.01)					
Adj. Net profit/(loss)	5.21	(63.42)	(46.04)	(19.85)	2.81	4.56	(0.61)	0.68	2.31	0.28	2.67	4.75	6.46
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)												
Net income/(loss) attributable to Company	2.37	(64.71)	(46.04)	(19.85)	2.81	4.56	(0.61)	0.68	2.31	0.28	2.67	4.75	6.46
<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>3.5%</i>	<i>10.1%</i>	<i>1.1%</i>	<i>3.1%</i>	<i>5.0%</i>	<i>6.0%</i>
Foreign currency translation adjustment	0.03	(1.14)	(0.02)	2.32	0.59	(0.23)							
Total comprehensive income/(loss)	5.24	(64.55)	(46.06)	(17.53)	3.40	4.33	(0.61)	0.68	2.31	0.28	2.67	4.75	6.46
<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>3.5%</i>	<i>10.1%</i>	<i>1.1%</i>	<i>3.1%</i>	<i>5.0%</i>	<i>6.0%</i>
Earnings per share													
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
Earnings per ADS (10 Class A equal to 1 ADS)													
Basic	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	(0.02)	0.02	0.06	0.01	0.07	0.12	0.17
Diluted	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	(0.02)	0.02	0.06	0.01	0.07	0.12	0.17
Weighted Average no. of Shares outstanding (in M)													
Basic	232.18	259.85	285.98	312.49	371.73	376.34	376.23	377.18	378.18	379.18	377.69	381.69	384.69
Diluted	232.18	259.85	285.98	312.49	371.73	376.34	376.23	377.18	378.18	379.18	377.69	381.69	384.69

Source: Diamond Equity Research

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