

uCloudlink Group Inc. – Continued Operational Momentum with Accelerated User Growth Across Multiple Segments

uCloudlink Group Inc. (NASDAQ:UCL)

Share Price: \$2.23

Current Valuation: \$10.00



Key Statistics

52 Week Range	\$0.80-\$4.19
Avg. Volume (3 months)	59,382
Shares Outstanding	37.49M
Market Capitalization	\$83.92M
EV/Revenue	0.7x
Cash Balance*	\$28.52M
Analyst Coverage	2

*Cash balance as of Q3 2025

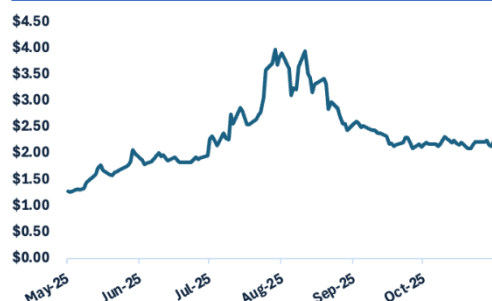
Revenue (in \$mm)

Dec - FY	2024A	2025E	2026E
1Q	18.1	18.7	19.6
2Q	22.4	19.4	20.9
3Q	25.2	21.2	24.3
4Q	26.0	22.0	24.2
FY	91.6	81.3	89.0

Earnings Per ADS (in \$)

Dec - FY	2024A	2025E	2026E
1Q	0.01	(0.02)	0.01
2Q	0.06	0.02	0.02
3Q	0.09	0.24	0.04
4Q	(0.04)	(0.01)	0.01
FY	0.12	0.24	0.07

Stock Price Chart



Hunter Diamond, CFA
Vivian Zhang
research@diamondequityresearch.com

Investment Highlights

- uCloudlink Announced Third Quarter 2025 Results** - uCloudlink reported its financial results for Q3 2025, with total revenues of \$21.1 million, a year-on-year decrease of 16.0%, including \$17.0 million in service revenue (down 1.4%) and \$4.1 million in product sales (down 48.0%). The decline in product sales was primarily due to delays of mobile broadband orders from Japan (management expects these orders to be placed in Q4), as well as lower-than-expected sales of data-related products and terminals due to the macroeconomic and trade headwinds. This resulted in a geographical shift in the company's revenue structure, with Japan contributing 33.2% (down from 46.6%), mainland China 35.1% (up from 27.8%), North America 15.4%, and other regions 16.3%. The overall gross margin further expanded from 48.4% to 53.6%, primarily due to improved product sales margins. Operating expenses increased by 12.1% YoY to \$11.2 million, mainly due to a 24.9% rise in sales and marketing costs as the company continued to invest heavily in promoting its innovative products and scaling a global user base. uCloudlink's net income for Q3 2025 was \$9.3 million, including a \$8.7 million fair value gain in other investments, compared to a net income of \$3.4 million in the year-ago period. *uCloudlink's efforts to create diversified revenue streams through innovative product lines while maintaining operational profitability are in line with our expectations as well as its business expansion and long-term growth objectives.*
- Operational Momentum Continued with Significant Growth in Both DAU and MAU** – uCloudlink's GlocalMe Ecosystem continued its growth momentum by expanding its user base and developing partnerships, with both average daily active users ("DAU") and monthly active users ("MAU") up 6.1% and 11.9% YoY in Q3 2025, respectively. Strongest growth came from emerging segments: IoT (+754% DAU), SIM (+346%), and Life (+324%), indicating rapid scaling of the company's three new growth engines. While core mobile/fixed broadband saw modest declines, the overall increase in registrations and active user engagement supports long-term monetization potential. The GlocalMe ecosystem continues to expand globally, supported by new product launches (MeowGo G40 Pro, MeowGo G50 Max, PetPhone), eSIM TRIO pilot validation, and accelerated IoT deployments. *We view the company's diversified growth drivers and expanding partner network as supportive of potential long-term growth.*
- Valuation Update** – Despite macroeconomic challenges and trade headwinds, uCloudlink is actively mitigating the impact of tariffs by creating new growth opportunities through product innovation. Our valuation for uCloudlink remains \$10.00, combining discounted cash flow and comparable company analysis, which is contingent on the company maintaining its successful execution.

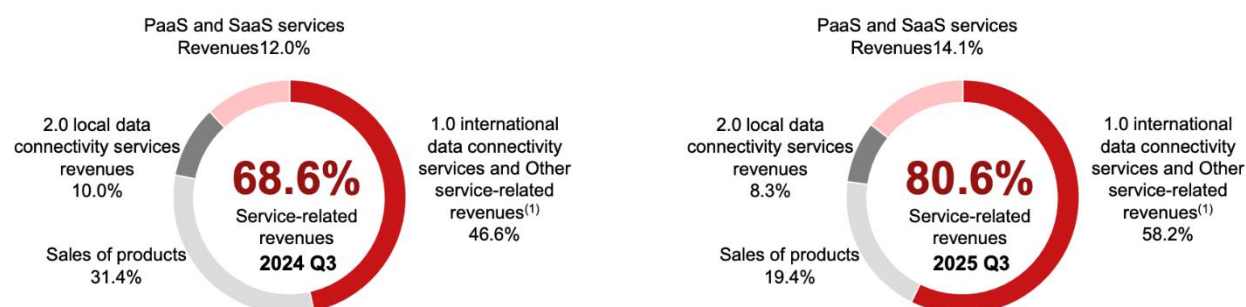
Company Description

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.

Third Quarter 2025 Results

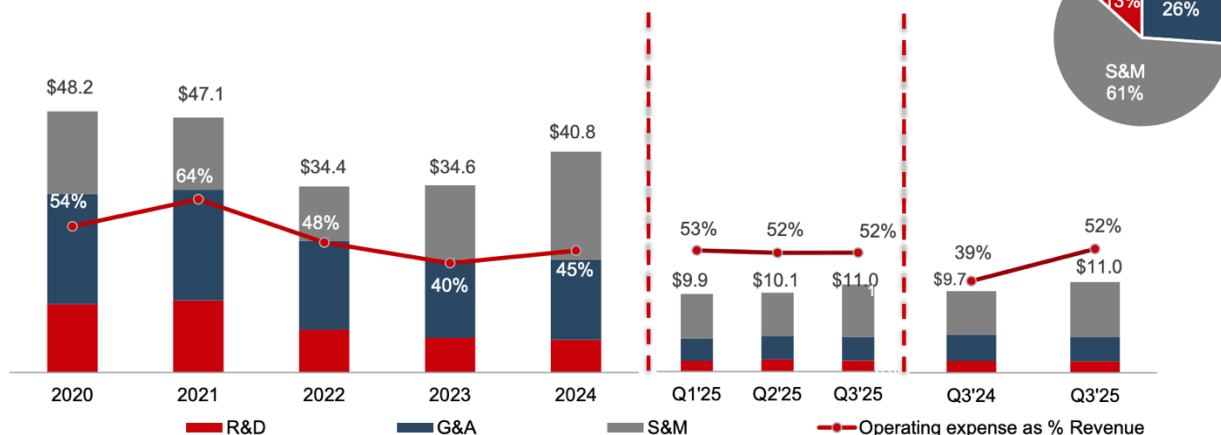
For the three months ending September 30, 2025, uCloudlink reported total revenues of \$21.1 million, a decrease of 16.0% from \$25.2 million in Q3 2024. Service revenue was \$17.0 million, down 1.4% from \$17.3 million over the year, primarily due to a 2.9% decrease in data connectivity service revenue and a 1.5% decrease in PaaS and SaaS service revenue. Product sales dropped by 48.0% YoY to \$4.1 million, with both terminal and data-related product sales declining. In terms of geographic distribution, mainland China has become the company's largest market, contributing 35.1% of total revenues, Japan contributed 33.2%, while North America and other countries contributed 15.4% and the remaining 16.3%, respectively, compared to 27.8%, 46.6%, 12.8%, and 12.8%, respectively, in Q3 2024. Overall gross profit was \$11.3 million, or 53.6% in gross margin, compared to \$12.2 million, or 48.4% in gross margin in the same period last year. Total operating expenses were \$11.2 million, compared to \$10.0 million in Q3 2024: R&D expenses increased by 2.9% YoY to \$1.5 million; S&M expenses were \$6.7 million, up 24.9% over the year, as the company continued to invest in promoting its newest products, increasing promotion and service fees, staff costs, exhibition fees, and operating lease payments; and G&A expenses decreased by 5.2% to \$3.0 million. Income from operations was \$9.2 million, including a \$8.7 million fair value gain in other investments, compared to \$3.3 million in the same period last year. uCloudlink's net income for Q3 2025 was \$9.3 million, or \$0.24 per basic and diluted ADS, compared to a net income of \$3.4 million, or \$0.09 per basic and diluted ADS in the year-ago period.

Revenues Segmentation



Source: uCloudlink Group Investor Presentation November 2025

Operating expenses⁽¹⁾ US\$mm



Source: uCloudlink Group Investor Presentation November 2025

Liquidity and Balance Sheet

As of September 30, 2025, uCloudlink's cash and cash equivalents totaled \$28.5 million, compared to \$30.2 million as of June 30, 2025, primarily due to a net outflow of \$0.9 million from operations, a repayment of \$1.1 million for bank borrowings, and expenditures of \$0.5 million on the purchase of property and equipment, partially offset by net proceeds of \$0.8 million from bank borrowings. CAPEX was \$0.5 million compared to \$1.1 million in the same period of 2024. *uCloudlink's balance sheet remains relatively stable, indicating the company's potential ability to achieve financial sustainability to support its innovation-led expansion and long-term growth.*

Management Guidance

uCloudlink has guided for total revenues to be between \$22.0 million and \$26.5 million for Q4 2025, representing a decrease of 15.4% to an increase of 1.9% compared to the same period of 2024. The company has revised its full-year 2025 total revenue outlook to a range of \$81.3 million to \$85.8 million from the previously announced range of \$85.0 million to \$95.0 million considering the persistent macroeconomic challenges and global trade headwinds, which have had and 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 3,059 business partners in 63 countries and regions, with aggregated mobile data allowances from 392 mobile network operators (MNOs) globally as of September 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 seasonable management team with years of operational experience in industry. As of September 30, 2025, UCL had 201 patents with 168 approved and 33 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*

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

expands, which is likely to benefit from the institutional money flowing into the global mobile data connectivity service 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	3Q25A	4Q25E	FY25E	1Q26E	2Q26E	3Q26E	4Q26E	FY26E	FY27E
REVENUES																	
Revenues from services	91.11	46.15	37.80	46.23	58.57	60.00	14.20	14.63	17.05	16.39	62.27	14.82	15.85	19.30	18.95	68.92	78.54
Sales of products	67.27	43.42	36.03	22.23	27.01	31.63	4.55	4.75	4.11	5.64	19.05	4.81	5.02	5.04	5.28	20.15	22.16
Total net revenues	158.38	89.57	73.83	71.46	85.58	91.64	18.75	19.38	21.15	22.03	81.31	19.63	20.87	24.33	24.23	89.06	100.70
Cost of services	(35.59)	(26.39)	(21.56)	(20.35)	(24.32)	(23.50)	(6.07)	(6.35)	(7.40)	(6.64)	(26.46)	(6.16)	(6.63)	(8.10)	(8.05)	(28.55)	(32.20)
Cost of products sold	(57.87)	(34.87)	(30.43)	(18.58)	(19.29)	(23.77)	(2.99)	(2.80)	(2.42)	(3.41)	(11.62)	(2.91)	(2.96)	(2.97)	(3.24)	(12.09)	(13.30)
Total cost of revenues	(93.46)	(61.26)	(51.99)	(38.93)	(43.61)	(47.27)	(9.06)	(9.15)	(9.83)	(10.05)	(38.08)	(9.08)	(9.59)	(11.08)	(11.29)	(41.03)	(45.50)
Gross (loss) profit	64.92	28.31	21.84	32.53	41.97	44.36	9.69	10.23	11.33	11.98	43.23	10.55	11.28	13.26	12.94	48.03	55.20
OPERATING EXPENSES																	
Sales and marketing expenses	(24.37)	(29.26)	(13.62)	(10.31)	(14.30)	(19.93)	(5.69)	(5.50)	(6.69)	(6.51)	(24.39)	(5.89)	(5.89)	(6.94)	(6.67)	(25.38)	(27.19)
Research and development expenses	(15.11)	(26.36)	(13.70)	(8.43)	(6.46)	(6.20)	(1.40)	(1.57)	(1.48)	(1.49)	(5.94)	(1.43)	(1.54)	(1.68)	(1.58)	(6.23)	(6.85)
General and administrative expenses	(20.22)	(43.22)	(28.55)	(18.73)	(17.12)	(15.95)	(3.14)	(3.36)	(3.04)	(4.69)	(14.23)	(3.24)	(3.51)	(3.53)	(4.87)	(15.14)	(17.12)
Other income, net	0.29	7.55	(11.88)	(14.27)	(1.50)	2.10	0.07	1.01	9.12	0.53	10.73	0.39	0.42	0.49	0.48	1.78	2.01
Total operating expenses	(59.70)	(98.84)	(55.87)	(37.46)	(37.88)	(42.07)	(10.23)	(10.43)	(11.21)	(12.69)	(44.56)	(10.56)	(10.94)	(12.14)	(13.12)	(46.76)	(51.15)
EBIT	5.51	(62.98)	(45.91)	(19.19)	2.59	4.38	(0.47)	0.81	9.24	(0.17)	9.40	0.39	0.76	1.60	0.30	3.05	6.06
Interest income	0.19	0.04	0.01	0.02	0.07	0.23	0.01	0.03	0.01	0.01	0.05	0.01	0.01	0.01	0.01	0.06	0.07
Interest expenses	(0.44)	(0.29)	(0.19)	(0.44)	(0.13)	(0.20)	(0.06)	(0.06)	(0.02)	(0.08)	(0.22)	(0.06)	(0.06)	(0.06)	(0.06)	(0.24)	(0.27)
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	9.23	(0.25)	9.24	0.34	0.72	1.56	0.26	2.88	5.86
Income tax expenses (benefits)	(0.06)	(0.19)	(0.24)	(0.16)	(0.07)	(0.07)	(0.09)	(0.10)	0.07	0.02	(0.09)	(0.01)	(0.01)	(0.03)	(0.01)	(0.06)	(0.12)
Share of profit in equity method investment, net of tax			0.29	0.07	0.36	0.21	(0.00)	(0.01)	0.00		(0.01)						
Adj. Net profit/(loss)	5.21	(63.42)	(46.04)	(19.85)	2.81	4.56	(0.61)	0.68	9.31	(0.23)	9.14	0.33	0.71	1.53	0.25	2.82	5.74
Accretion of Series A-2 ordinary shares and Series A Preferred Shares	(2.54)	(1.29)															
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	9.31	(0.23)	9.14	0.33	0.71	1.53	0.25	2.82	5.74
<i>Net income margin</i>	1.5%	-72.2%	-62.4%	-27.8%	3.3%	5.0%	-3.3%	3.5%	44.0%	-1.0%	11.2%	1.7%	3.4%	6.3%	1.0%	3.2%	5.7%
Foreign currency translation adjustment	0.03	(1.14)	(0.02)	2.32	0.59	(0.23)			(0.20)		(0.20)						
Total comprehensive income/(loss)	5.24	(64.55)	(46.06)	(17.53)	3.40	4.33	(0.61)	0.68	9.11	(0.23)	8.95	0.33	0.71	1.53	0.25	2.82	5.74
<i>Comprehensive income attributable margin</i>	3.3%	-72.1%	-62.4%	-24.5%	4.0%	4.7%	-3.3%	3.5%	43.1%	-1.0%	11.0%	1.7%	3.4%	6.3%	1.0%	3.2%	5.7%
Earnings per share																	
Basic	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	(0.00)	0.00	0.02	(0.00)	0.02	0.00	0.00	0.00	0.00	0.01	0.01
Diluted	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	(0.00)	0.00	0.02	(0.00)	0.02	0.00	0.00	0.00	0.00	0.01	0.01
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	0.24	(0.01)	0.24	0.01	0.02	0.04	0.01	0.07	0.15
Diluted	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	(0.02)	0.02	0.24	(0.01)	0.24	0.01	0.02	0.04	0.01	0.07	0.15
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	380.15	381.15	378.67	381.15	382.15	382.15	382.15	381.90	384.90
Diluted	232.18	259.85	285.98	312.49	371.73	376.34	376.23	377.18	380.15	381.15	378.67	381.15	382.15	382.15	382.15	381.90	384.90

Source: Diamond Equity Research

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