

## uCloudlink Group Inc. – Profitability Improves Amid Revenue Pressure with New Growth Opportunities Emerging

uCloudlink Group Inc. (NASDAQ:UCL)

Share Price: \$1.38

Current Valuation: \$8.00



### Key Statistics

52 Week Range	\$0.80-\$4.19
Avg. Volume (3 months)	12,668
Shares Outstanding	37.63M
Market Capitalization	\$51.93M
EV/Revenue	0.19x
Cash Balance*	\$32.83M
Analyst Coverage	2

\*Cash balance as of Q4 2025

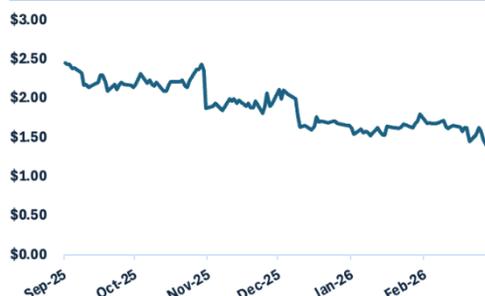
### Revenue (in \$mm)

Dec - FY	2024A	2025A	2026E
1Q	18.1	18.7	16.2
2Q	22.4	19.4	20.5
3Q	25.2	21.2	24.2
4Q	26.0	22.2	26.3
FY	91.6	81.4	87.3

### Earnings Per ADS (in \$)

Dec - FY	2024A	2025A	2026E
1Q	0.01	(0.02)	(0.01)
2Q	0.06	0.02	0.04
3Q	0.09	0.24	0.12
4Q	(0.04)	(0.08)	(0.04)
FY	0.12	0.17	0.11

### Stock Price Chart



Hunter Diamond, CFA  
Vivian Zhang  
[research@diamondequityresearch.com](mailto:research@diamondequityresearch.com)

### Investment Highlight

- uCloudlink Announced Fourth Quarter and Full Year 2025 Results** – uCloudlink reported financial results for 2025, highlighting continued revenue headwinds alongside meaningful improvements in profitability and operational efficiency. Total revenues for Q4 2025 decreased 14.6% YoY to \$22.1 million, reflecting continued pressure on its business amid a challenging macro environment. Despite this, gross profit grew 2.3% to \$11.4 million, and adjusted EBITDA turned positive at \$3.1 million, signaling effective cost management and a more optimized business structure. For the full year, total revenues declined 11.1% to \$81.4 million, while net income rose 38.2% to \$6.3 million, underscoring the company’s focus on margin expansion and disciplined execution. Adjusted EBITDA remained steady at \$7.2 million, indicating that the company’s core profitability is being maintained despite the top-line contraction. *Benefiting from improved cash positioning and a strengthened balance sheet, the company is potentially well-positioned to deliver higher-quality growth through diversified revenue streams. While near-term revenue growth may remain under pressure due to external uncertainties, the company’s improving profitability, strong momentum in emerging segments, and continued product innovation provide a solid foundation for targeting long-term value creation.*
- New Growth Engines Highlight Expansion** - The GlocalMe IoT, SIM, and Life segments delivered exceptional performance in 2025, with multiple operational indicators—such as daily active users and terminals—growing by triple-digit rates. The IoT segment is particularly promising, benefiting from the rising adoption in areas such as connected vehicles and smart home security. Meanwhile, the GlocalMe SIM business, driven by eSIM solutions such as the TRIO offering, is gaining traction as consumers and operators increasingly seek flexible and cost-efficient connectivity solutions. The GlocalMe Life segment, which includes innovative consumer devices such as UniCord and RoamPlug, is also expanding, supported by new product launches and growing market awareness. Another strategic initiative is the company’s entry into the pet-tech ecosystem. Products such as PetPhone and related smart devices aim to address not only functional needs like tracking and monitoring but also emotional connectivity between pet owners and their animals, targeting differentiated market opportunities beyond traditional connectivity services. *These businesses are in line with the company’s diversification strategy, targeting new monetization channels, and potentially increasing brand positioning over the long term.*
- Valuation Update** – Based on the latest financial results, updated management revenue guidance and updated share count, an \$8.00 per share illustrative valuation was derived, which is contingent on the company maintaining its successful execution. Our valuation is based on a blended approach combining a discounted cash flow (DCF) methodology and comparable company analysis. For the comparable company analysis, we benchmark uCloudlink Group Inc. against publicly listed mobile data connectivity service and cloud computing businesses, applying an EV/Sales multiple to trailing revenue to derive an implied enterprise value. For the DCF, we apply a discount rate of 7.0% and a terminal growth rate of 3.0%

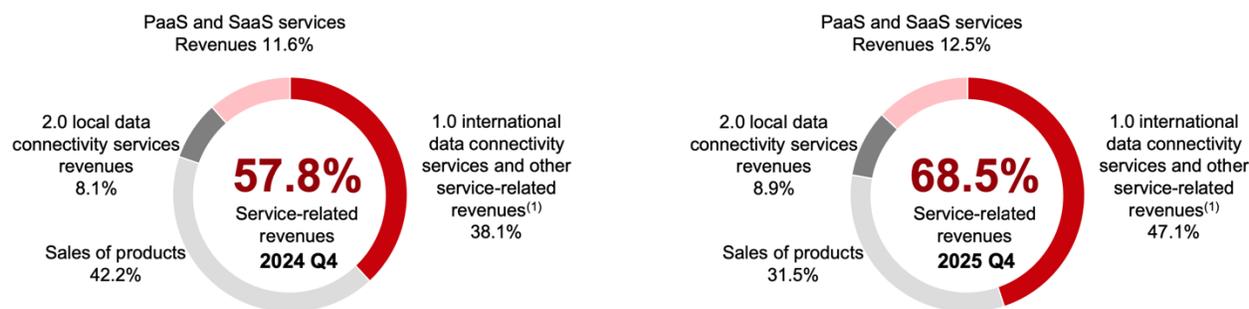
### Company Description

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 2025 Results

For the three months ending December 31, 2025, uCloudlink reported total revenues of \$22.1 million, a 14.6% decrease from \$26.0 million in Q4 2024. Service revenues were \$15.2 million, up 1.1% from \$15.0 million over the year, primarily due to an increase in other service revenues, including SIM card resale service fees and advertising revenue. Revenues from data connectivity services were down by 1.4% YoY to \$11.5 million, with international data connectivity service revenues decreasing \$0.1 million to \$9.5 million and local data connectivity service revenues decreasing \$0.1 million to \$2.0 million. PaaS and SaaS service revenues were \$2.8 million, down 7.5% YoY. Sales of products decreased by 36.2% to \$6.9 million over the year, mainly due to a decline in sales of data-related products. In terms of geographic distribution, Japan, as the largest segment, contributed 43.6% of total revenues, and mainland China contributed 26.8%, while North America and other countries contributed 11.2% and the remaining 18.4%, respectively, compared to 53.6%, 20.0%, 12.1%, and 14.3%, respectively, in Q4 2024. Overall gross profit was \$11.4 million, or 51.6% in gross margin, compared to \$11.2 million, or 43.0% in gross margin in the same period last year, with improved gross margins on both services and sales of products. Total operating expenses were \$9.5 million, compared to \$14.1 million in Q4 2024: R&D expenses decreased by 76.3% YoY to \$0.4 million, primarily due to decreased staff costs; S&M expenses declined slightly to \$6.1 million, compared to \$6.2 million last year; and G&A expenses decreased by 49.9% to \$3.0 million with decreased staff costs and professional service fees. Non-GAAP adjusted EBITDA (excluding the impact of share-based compensation, fair value gain/loss in other investment, and share of profit/loss in equity method investment) was \$3.1 million, compared to a negative \$2.3 million in the year-ago period. uCloudlink's net loss for Q4 2025 was \$3.1 million, or \$0.08 per basic and diluted ADS, compared to a net loss of \$1.5 million, or \$0.04 per basic and diluted ADS in the same period of 2024.

### Revenue Segmentation

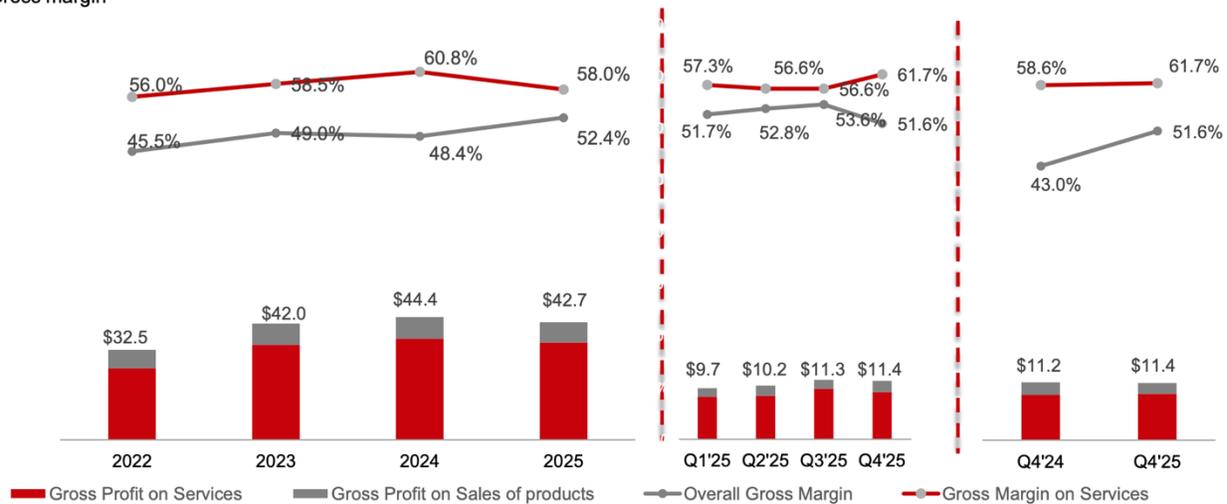


Source: uCloudlink Group Investor Presentation March 2026

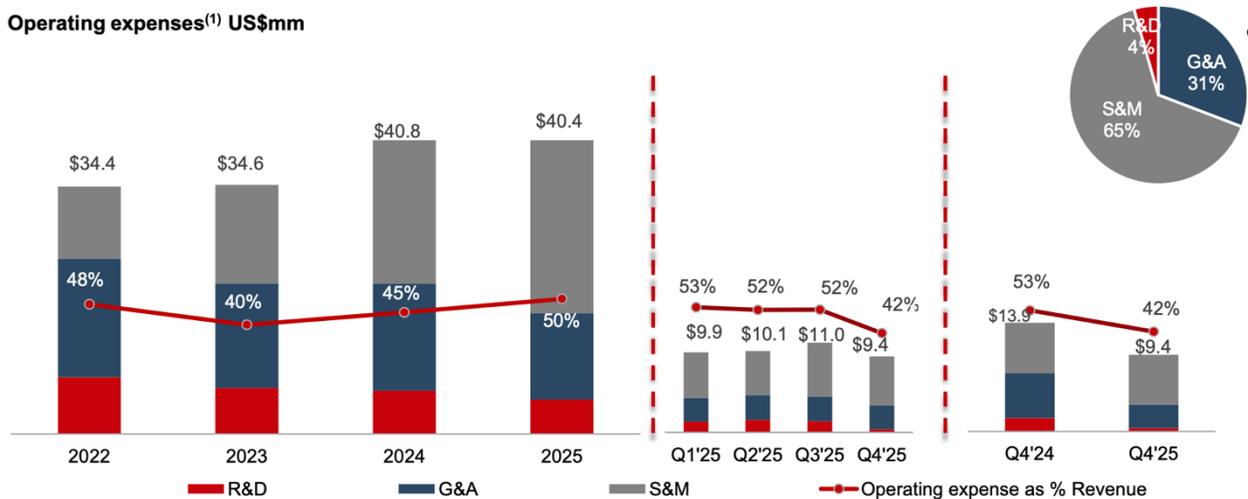
For the fiscal year 2025, the company reported total revenues of \$81.4 million, down 11.1% from \$91.6 million in 2024, with service revenues increasing by 1.8% to \$61.0 million and product sales decreasing by 35.5% to \$20.4 million. Overall gross profit was \$42.7 million, or 52.4% in gross margin, compared to \$44.4 million, or 48.4% in gross margin in 2024. Total operating expenses were \$41.4 million, compared to \$42.0 million in 2024, resulting in a net income of \$6.3 million, or \$0.17 per basic and diluted ADS, compared to a net income of \$4.6 million, or \$0.12 per basic and diluted ADS in 2024.

**Gross Profit US\$mm**

Gross margin



**Operating expenses<sup>(1)</sup> US\$mm**



Source: uCloudlink Group Investor Presentation March 2026

**Liquidity and Balance Sheet**

As of December 31, 2025, uCloudlink’s cash and cash equivalents totaled \$32.8 million, compared to \$28.5 million as of September 30, 2025, primarily due to the net inflow of \$4.7 million from operations and proceeds of \$5.1 million from bank borrowings, partially offset by repayments of \$5.7 million in bank borrowings. CAPEX was \$0.02 million in the fourth quarter of 2025 and \$1.0 million in the full year. *uCloudlink’s balance sheet remains relatively healthy coupled with positive operating cash flow, demonstrating the company’s potential to navigate various market dynamics.*

**Management Guidance**

uCloudlink expects total revenues to be between \$16.0 million and \$17.0 million for Q1 2026 and between \$85.0 million and \$100.0 million for 2026, representing a decrease of 9.1% to 14.4% compared to the same period of 2025 and an increase of 4.4% to 22.9% from that of 2025, 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 3,146 business partners in 64 countries and regions, with aggregated mobile data allowances from 398 mobile network operators (MNOs) globally as of December 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 December 31, 2025, UCL had 206 patents with 181 approved and 25 pending approval. 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. uCloudlink appears potentially 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 cash flow generating ability and relatively inexpensive valuation, the company in our view is a unique business in the growing data connectivity industry, as 5G adoption expands, which could benefit from the institutional money flowing into the global mobile data connectivity 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 may 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 areas of its 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
- Management and major shareholders 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	FY25A	1Q26E	2Q26E	3Q26E	4Q26E	FY26E	FY27E	FY28E
<b>REVENUES:</b>														
Revenues from services	91.11	46.15	37.80	46.23	58.57	60.00	61.06	13.54	15.05	18.97	17.86	65.43	72.61	82.65
Sales of products	67.27	43.42	36.03	25.23	27.01	31.63	20.39	2.66	5.46	5.24	8.47	21.82	25.18	28.96
<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>81.45</b>	<b>16.21</b>	<b>20.50</b>	<b>24.21</b>	<b>26.33</b>	<b>87.25</b>	<b>97.80</b>	<b>111.61</b>
Cost of services	(35.59)	(26.39)	(21.56)	(20.35)	(24.32)	(23.50)	(25.64)	(5.63)	(6.29)	(7.97)	(7.59)	(27.48)	(30.50)	(34.71)
Cost of products sold	(57.87)	(34.87)	(30.43)	(18.58)	(19.29)	(23.77)	(13.13)	(1.61)	(3.22)	(3.09)	(6.05)	(13.97)	(16.12)	(18.53)
<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>(38.77)</b>	<b>(7.24)</b>	<b>(9.51)</b>	<b>(11.06)</b>	<b>(13.63)</b>	<b>(41.45)</b>	<b>(46.61)</b>	<b>(53.25)</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>42.68</b>	<b>8.96</b>	<b>10.99</b>	<b>13.15</b>	<b>12.70</b>	<b>45.80</b>	<b>51.18</b>	<b>58.36</b>
<b>OPERATING EXPENSES:</b>														
Sales and marketing expenses	(24.37)	(29.26)	(13.62)	(10.31)	(14.30)	(19.93)	(23.99)	(5.35)	(5.78)	(6.29)	(7.88)	(25.30)	(28.36)	(32.37)
Research and development expenses	(15.11)	(26.36)	(13.70)	(8.43)	(6.46)	(6.20)	(4.87)	(1.22)	(1.41)	(1.40)	(1.20)	(5.23)	(5.87)	(6.70)
General and administrative expenses	(20.22)	(43.22)	(28.55)	(18.73)	(17.12)	(15.95)	(12.58)	(3.16)	(3.44)	(3.20)	(3.29)	(13.09)	(14.67)	(16.74)
Other income, net	0.29	7.55	(11.88)	(14.27)	(1.50)	2.10	6.71	0.32	1.23	2.91	(1.41)	3.05	3.91	4.46
<b>Total operating expenses</b>	<b>(59.70)</b>	<b>(98.84)</b>	<b>(55.87)</b>	<b>(37.46)</b>	<b>(37.88)</b>	<b>(42.07)</b>	<b>(41.43)</b>	<b>(9.72)</b>	<b>(10.64)</b>	<b>(10.89)</b>	<b>(12.36)</b>	<b>(43.62)</b>	<b>(48.90)</b>	<b>(55.80)</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>7.97</b>	<b>(0.44)</b>	<b>1.58</b>	<b>5.16</b>	<b>(1.07)</b>	<b>5.23</b>	<b>6.20</b>	<b>7.02</b>
Interest income	0.19	0.04	0.01	0.02	0.07	0.23	0.07	0.02	0.02	0.02	0.02	0.09	0.12	0.15
Interest expenses	(0.44)	(0.29)	(0.19)	(0.44)	(0.13)	(0.20)	(0.20)	(0.05)	(0.05)	(0.05)	(0.05)	(0.19)	(0.20)	(0.23)
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>7.84</b>	<b>(0.46)</b>	<b>1.56</b>	<b>5.14</b>	<b>(1.10)</b>	<b>5.13</b>	<b>6.12</b>	<b>6.95</b>
Income tax expenses (benefits)	(0.06)	(0.19)	(0.24)	(0.16)	(0.07)	(0.07)	(1.53)	(0.08)	(0.19)	(0.41)	(0.32)	(1.00)	(1.16)	(1.32)
Share of profit in equity method investment, net of tax			0.29	0.07	0.36	0.21	(0.01)							
<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>6.30</b>	<b>(0.54)</b>	<b>1.37</b>	<b>4.73</b>	<b>(1.42)</b>	<b>4.13</b>	<b>4.95</b>	<b>5.63</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>6.30</b>	<b>(0.54)</b>	<b>1.37</b>	<b>4.73</b>	<b>(1.42)</b>	<b>4.13</b>	<b>4.95</b>	<b>5.63</b>
<i>Net income margin</i>	1.5%	-72.2%	-62.4%	-27.8%	3.3%	5.0%	7.7%	-3.3%	6.7%	19.5%	-5.4%	4.7%	5.1%	5.0%
Foreign currency translation adjustment	0.03	(1.14)	(0.02)	2.32	0.59	(0.23)	(0.16)							
<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>6.14</b>	<b>(0.54)</b>	<b>1.37</b>	<b>4.73</b>	<b>(1.42)</b>	<b>4.13</b>	<b>4.95</b>	<b>5.63</b>
<i>Comprehensive income attributable margin</i>	3.3%	-72.1%	-62.4%	-24.5%	4.0%	4.7%	7.5%	-3.3%	6.7%	19.5%	-5.4%	4.7%	5.1%	5.0%
<b>Earnings per share</b>														
Basic	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	0.02	(0.00)	0.00	0.01	(0.00)	0.01	0.01	0.01
Diluted	0.01	(0.25)	(0.16)	(0.06)	0.01	0.01	0.02	(0.00)	0.00	0.01	(0.00)	0.01	0.01	0.01
<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	0.17	(0.01)	0.04	0.12	(0.04)	0.11	0.13	0.15
Diluted	0.10	(2.49)	(1.61)	(0.64)	0.08	0.12	0.17	(0.01)	0.04	0.12	(0.04)	0.11	0.13	0.15
<b>Weighted Average no. of Shares outstanding (in M)</b>														
Basic	232.18	259.85	285.98	312.49	371.73	376.34	378.55	380.57	381.57	382.57	382.57	381.82	384.82	387.82
Diluted	232.18	259.85	285.98	312.49	371.73	376.34	378.55	380.57	381.57	382.57	382.57	381.82	384.82	387.82

Source: Diamond Equity Research

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