

Q4 and Full-Year 2023 Earnings Call Management Prepared Remarks

01 Introduction (Presenter: Jillian Zeng)

Hello everyone and thank you for joining us on UCLOUDLINK's fourth quarter and full year 2023 earnings call. The earnings release and our earnings presentation are now available on our IR website at <https://ir.ucloudlink.com>. Joining me on today's call are

Mr. Zhiping Peng, our co-founder and chairman of board of directors,

Mr. Chaohui Chen, our co-founder, director and chief executive officer, and

Mr. Yimeng Shi, our chief financial officer.

Mr. Chen will begin with an overview of our recent business highlights. Mr. Shi will then discuss our financial and operational highlights for fourth quarter and full year 2023. They will all be available to take your questions in the Q&A session that follows.

Before we proceed, please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the company's control, which may cause actual results, performance, or achievements of the company to be materially different from the results, performance, or expectations implied by these forward-looking statements.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements, risk factors, and details of the company's filings with the SEC. The company does not assume any obligation to revise or update any forward-looking statements as a result of new information, future events, changes in market conditions or otherwise, except as required by law.

Please also note that UCLOUDLINK's earnings press release and this conference call include discussions of unaudited GAAP financial information and unaudited non-GAAP financial measures. UCLOUDLINK's press release contains a reconciliation of the unaudited non-GAAP measures to the most directly comparable unaudited GAAP measures. I will now turn the call over to Mr. Chen. Please go ahead.

02 Company Overview (Presenter: Chaohui Chen)

Thank you, Jillian, and good morning, everyone. Thank you for joining us, we appreciate everyone taking time out of your busy days.

We're very pleased to report another strong set of results in 2023, highlighted by a 19.8% increase in full year revenues to US\$85.6 million. 2023 was a milestone in the turnaround of our business following the COVID-19 pandemic, with operating cash inflow of US\$6.5 million and net income of US\$2.8 million.

Our 1.0 international data connectivity services business continued to recover in 2023. In our major markets, China and Japan, we are seeing the early signs of a recovery in outbound tourism and business travel following the COVID-19 pandemic. With more Chinese tourists beginning to use our Roamingman brand services again and the recovery in Japan gaining momentum, our market share in these major markets is growing, which will create significant growth opportunities for us going forward. With one of the most extensive 5G roaming networks in the world that covers 55 countries and regions, our competitive local full-speed 5G roaming solutions not only offer extensive coverage, but also significantly enhance user experience, which further expands our user base and cements our leading position in the roaming market.

While working to turn around our business over the past year, we leveraged our existing research and development resources and cutting-edge technologies to explore business opportunities beyond portable Wi-Fi terminals and build an expanded array of comprehensive data connectivity solutions to satisfy a wide range of users' needs. In addition to significantly enhancing the travel experience by catering to the diverse data connectivity needs of various users, we will also offer more intelligent and convenient life applications like item tracking, pet management, and emergency communication, among others, through our GlocalMe Life solutions business. We believe that these solutions will expand our market reach and help us establish a broader market presence. Our 'Better Connection Empowers Better Life' mission is leading us to extend our business beyond the travel sector to various aspects of daily life, thereby generating long-term sustainable growth.

To drive this transformation, we plan to reorganize ourselves into four distinct product lines in 2024: GlocalMe mobile/fixed broadband, GlocalMe SIM, Internet of Things (IoT), and GlocalMe Life solutions. We believe this business reorganization will allow us to operate in a more agile fashion, take advantage of emerging opportunities, and enable us to engage with a broader user base with a robust slate of new products and solutions coming in the future. So please allow me to tell you more about what's happening—and what's to come—at UCLLOUDLINK.

Let me go into a little more detail on the new array of product lines we have planned for the future.

First, we will continue to strengthen the foundation of our business, GlocalMe mobile/fixed broadband, with an expanded offering of innovative cloud SIM technology, hyper-connectivity solutions and additional value-added services that improve the user experience. We believe that we are uniquely positioned to expand our share in the roaming market. In addition, we plan to introduce a commercial-grade dual broadband Customer Premises Equipment (CPE), which supports local fixed networks as well as multiple mobile networks from all major operators. It

will be able to maintain connectivity even when fiber-optic lines fail or are disrupted. Our 5G CPE will be large-scale and commercial, which will unlock additional opportunities in the mobile/fixed broadband space.

Second, GlocalMe SIM solutions, including our over-the-air (OTA) SIM and eSIM solutions, will evolve into our innovative “All SIM” solution which will allow us to engage with a broader end user base beyond those in the portable Wi-Fi terminals market. Our pioneering “All SIM” solution is poised to breakout of cross-carrier restrictions and empower every smartphone.

Third, our GlocalMe Life solutions business has an exciting slate of product announcements planned in the future, which will bring seamless connectivity into various high-frequency daily life application scenarios, as I mentioned earlier, such as pet management, item tracking as well as emergency communication.

Last but not least, we will also integrate these cloud SIM technology and hyper-connectivity solutions into our IoT business. Leveraging both proprietary and third-party smart modules compatible with mainstream chipset platforms, our IoT business will empower terminals and third-party devices, allowing them to intelligently select and dynamically switch between multiple local carriers worldwide.

This diverse array of solutions, we believe, will help expand our business beyond portable Wi-Fi terminals and drive growth in the future. Because of the changes we’re making, our customers will enjoy a more intelligent and convenient life through our high-quality data connections for a range of everyday scenarios.

Finally, I would like to review our guidance for the first quarter and full year 2024.

We are optimistic about our future growth prospects following this business reorganization. However, we also recognize that we are only just beginning this transformative journey and that these initiatives will take time to mature. For the first quarter of 2024, we expect total revenues to be between US\$17.5 million and US\$18.5 million, representing a decrease of 2.8% to an increase of 2.8% compared to the same period of 2023. For 2024, we expect total revenues to be between US\$95.0 million and US\$112.0 million, representing an increase of 11.0% to 30.8% from that of 2023.

I will now turn the call over to Mr. Shi.

03 Operational Highlights and Financial Results (Presenter: Yimeng Shi)

Thank you, Mr. Chen. Hello everyone, I will go over our operational and financial highlights for the fourth quarter and full year of 2023.

Average daily active terminals is an important operating metric for us as it measures customer usage trends over each period, which is reflective of our business performance. In the fourth quarter of 2023, average daily active terminals were 316,207 (10,075 owned by the Company and 306,132 owned by our business partners), representing an increase of 6.2% from 297,884 in the fourth quarter of 2022. During the fourth quarter of 2023, 47.0% of daily active terminals were from uCloudlink 2.0 local data connectivity services and 53.0% of daily active terminals were from uCloudlink 1.0 international data connectivity services. Average daily data usage per terminal was 1.55 GB in December 2023.

Total revenues for the fourth quarter of 2023 were US\$21.7 million, representing an increase of 10.8% from US\$19.6 million in the same period of 2022. Revenue from services was US\$14.9 million, representing an increase of 19.1% from US\$12.5 million in the same period of 2022. Revenue from services as a percentage of total revenues was 68.7% during the fourth quarter of 2023, up from 63.9% during the same period of 2022.

During the fourth quarter of 2023, as a percentage of our total revenues, Japan contributed 43.1%, North America contributed 24.3%, mainland China contributed 16.5%, and other countries and regions contributed the remaining 16.1%, compared to 43.7%, 33.9%, 3.0% and 19.4%, respectively, for the same period for 2022.

Overall gross margin improved to 52.0% in the fourth quarter of 2023 from 51.3% for the same period of 2022, while gross margin on services increased to 60.1% in the fourth quarter from 59.4% for the same period of 2022.

Excluding share-based compensation, total operating expenses increased to US\$11.6 million, or 53% of total revenues, in the fourth quarter of 2023, compared to US\$10.4 million, or 53% of total revenues, in the same period in 2022.

Net loss was US\$1.8 million in the fourth quarter of 2023, compared to a net loss of US\$1.1 million in the same period of 2022. Adjusted EBITDA was US\$1.5 million in the fourth quarter of 2023, compared to US\$1.6 million for the same period of 2022.

Moving to 2023 full-year financial results.

Total revenues for 2023 rose to US\$85.6 million from US\$71.4 million in 2022, driven primarily by an increase in revenues from data connectivity services. Revenues from data connectivity services were US\$46.7 million, an increase of 31.7% from US\$35.5 million in 2022. Within data connectivity services, revenues from international data connectivity services rose to US\$37.9 million from US\$28.1 million in 2022, as the recovery in international travel accelerated.

Overall gross margin improved to 49.0% in 2023 from 45.5% in 2022, and our gross margin on services increasing to 58.5% from 56.0%. The increase in gross margin on services in 2023

was primarily attributable to a more favorable business mix with a larger proportion of revenues coming from international data connectivity services, which tend to have higher margins.

For the full year 2023, excluding share-based compensation, total operating expenses increased to US\$34.6 million, or 40% of total revenues in 2023, compared to US\$34.4 million, or 48% of total revenues in 2022.

We achieved a net income of US\$2.8 million in 2023, improving from a net loss of US\$19.9 million in 2022. Adjusted EBITDA was US\$9.8 million in 2023, compared to a loss of US\$2.3 million in 2022, according to the same measurement.

For the full year 2023, our capital expenditures were US\$2.1 million, compared to US\$0.4 million in 2022.

For the full year 2023, we achieved positive operating cash flow of US\$6.5 million, up from US\$4.4 million in 2022.

Moving on to balance sheet items, our cash and cash equivalents increased to US\$23.4 million as of December 31, 2023, compared to US\$20.3 million as of September 30, 2023. We are pleased to have strengthened the Company's financial position over the course of the year and are well positioned to continue growing our business.

With that, operator, let's open it up for Q&A.

04 Closing Remarks (Presenter: Jillian Zeng)

Thank you once again for joining us today. If you have further questions, please feel free to contact UCCLOUDLINK's investor relations through the contact information provided on our website or speak to our investor relations firm, Christensen Advisory. We look forward to speaking to you all again on our next quarterly call. Thank you.