

Q1 2022 Earnings Call Management's Prepared Remarks

Operator: Good morning and good evening, ladies and gentlemen, thank you for standing by and welcome to UCLLOUDLINK Group Inc. first quarter 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. After prepared remarks by the management team, there will be a question-and-answer session. Today's conference call is being recorded. I would now like to turn the call over to your host today, Ms. Jillian Zeng, Investor Relations of the company. Please go ahead.

01 Opening (Presenter: Jillian Zeng)

Thanks everyone for joining us on our first quarter 2022 earnings call today. The earnings release is now available on our IR website at <https://ir.ucloudlink.com> as well as via newswire services. I will give a brief introduction to our UCLLOUDLINK management team.

- Zhiping Peng is our co-founder and chairman of board of directors.
- Chaohui Chen is our co-founder, director and chief executive officer.
- Yimeng Shi is our chief financial officer.
- Zhu Tan is our vice president of marketing and sales.

Our CEO will begin with an overview of our company and business highlights, which will cover Section 1 of the earnings presentation posted on our IR website. Our CFO Yimeng Shi will then discuss our operation highlights and financial results as presented in Sections 2 and 3.

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 UCLLOUDLINK's earnings press release and this conference call include discussions of unaudited GAAP financial information as well as unaudited non-GAAP financial measures. UCLLOUDLINK's press release contains a reconciliation of the unaudited non-GAAP measures to the unaudited most directly comparable GAAP measures. I will now turn the call over to our co-founder and CEO, Mr. Chaohui Chen. Please go ahead.

02 Company Overview (Presenter: Chaohui Chen)

Page 4 to 12 are similar contents as the earnings presentation of the fourth quarter of 2021. We still encourage you to review in the Q1 2022 earnings presentation uploaded to our investor relations website with some latest updates. Hence, I will not elaborate on the parts similar with Q4 2021 earning release, but will instead focus on our most recent developments in the first quarter.

Page 4 Vision and Mission

Thanks everyone, let us turn to **Page 4** of the earnings presentation which shows our vision and mission.

We have redefined the mobile data connectivity experience, allowing users to gain access to mobile data traffic allowance shared by network operators on our marketplace.

Our technology facilitates carriers and users “single operator entry point to access all available local and global networks” and would enable people to use mobile data traffic freely anytime, anywhere like breathing the air. We expect to eventually cover all available networks from operators globally with the recovery of COVID-19 pandemic and development of 2.0 business and eventually build a fully global marketplace of mobile data traffic.

We believe that from “connected” to “better connection” is the trend of information era and our innovative technology facilitates us to establish the leading technological position of our PaaS and SaaS platform in the early stage of 5G and we are dedicated to promoting better connection to everyone.

Page 5 The World’s First and Leading Mobile Data Traffic Sharing Marketplace

Let us move to **Page 5**. The left-hand side of the slide shows the source of data from the market. We and our partners (including carriers) simply buy SIM cards from carriers or their partners around the world (we call this “firsthand” mobile data). Our system can also utilize the unused data from end users (we call this “second-hand” mobile data). The right-hand side of the slide shows various users of data in the marketplace. This marketplace enables an end-user’s device to connect to any available network at anytime and anywhere. Through our technology, we have built a data traffic marketplace for operators and users, where data traffic can be shared simply and efficiently via market behavior.

With the development of our 1.0 and 2.0 business, we are scaling up our userbase to make such marketplace happened for global mobile data traffic sharing.

Page 6 Operators Face Two Major Challenges: Coverage and Congestion

Let us move to **Page 6** which shows that coverage and congestion are two major challenges all wireless networks face.

On the left-hand side, the white coverage circles on the left hand-side chart are reliable data connection areas and the shadow areas (weak signal) are unreliable data connection. Even for good coverage, it is easy to have network congestion during peak times.

On the right-hand side, you can see Wi-Fi and mobile signals are severely weakened when penetrating walls. This is often the cause of indoor poor coverage. Operators cannot guarantee good indoor coverage while users have strong demand of high-quality indoor data connection.

To improve unbalanced indoor and outdoor coverage for Wi-Fi and mobile data connection, operators need very high CAPEX and cannot solve all data connection problems. With our technology we are able to help operators solve the two major challenges which brings us great opportunities.

Page 7 Our Solution Can Make for a Better Connection

Let us move to **Page 7** which shows our solution for such problems.

Via our cloud SIM technology through our PaaS and SaaS platform under hyper-connectivity ("HyperConn") solution, we help change unreliable data connection to more reliable data connection. Similar to installing "navigation + electronic toll pass" for traffic, "navigation" can automatically identify network congestion and actively choose a better route and "electronic toll pass" allows users to avoid long queues when switching between mobile networks, and intelligently elevating data connectivity user experience.

We are able to provide seamless coverage for end users by solving their pain points such as roaming, coverage and congestion. We improved overall network efficiency and access to all available networks worldwide.

By bringing reliable connections to formerly unreliable connection areas, we help operators elevate users' mobile broadband (MBB) and fixed broadband (FBB) such as home broadband data connectivity experience, lowering churn rate and improving overall network efficiency.

Page 8 Our Rooting Technology Enabling Data Traffic Marketplace (cloud SIM)

Let us turn to **Page 8**. Let us take a look at our innovative cloud SIM technology.

Our cloud SIM technology allows mobile handsets and terminals to switch operators' network freely. With cloud SIM technology, we can create a full marketplace including first-hand and second-hand data traffic with massive user base. With cloud SIM APP, the device or handset can connect to different networks by changing to a different SIM card in remote sites. It simplifies the relationship with carriers, as it is easy to buy SIM cards from carriers and their channel. Physical SIM card has over 20 years' history and it is secure, reliable, and mature, with very low risks and barriers for SIM card supplement.

Our cloud SIM technology is a component of HyperConn technology, which transforms all available wireless networks to usable networks through intelligent SIM card management.

Our cloud SIM technology facilitates a valuable service to both users and carriers. As of March 31, 2022, we had 110 patents approved and 74 patents pending for approval globally.

Page 9 Our Advanced Technology Enabling Secured and Robust Connectivity (HyperConn)

Let us move to **Page 9**. Our cloud SIM technology has been developed to the HyperConn stage.

The definition of hyper-connectivity("HyperConn") basically includes level one which is the evaluation of connection quality of various wireless-access networks including Wi-Fi and all mobile operators, level two which is network selection and optimization based on cloud SIM technology, and level three which is optimizing and acceleration of application routing. After one-year development, HyperConn™ Products are highly compatible with fast development of 2.0 business, GMI, MBB+FBB, Education, Autopilot, etc.

Our HyperConn solution would redefine the mobile network and Wi-Fi user experience and facilitate data traffic marketplace. User's data connectivity experience is affected by various factors such as signal, interference and routing, bandwidth and delay, and server location. U-CLOUDLINK's hyper-Connectivity would aim to connect cross networks and technical systems, various SIM form factors such as e-SIM and soft-SIM, cross various physical boundaries such as Wi-Fi and various radio technologies etc. by countries and regions. We plan to achieve the goal by identification, monitoring and optimization to further elevate user experience in the data connectivity market.

Page 10 The Evolution of cloud SIM and HyperConn Business Models

Let us move to **Page 10** which shows the evolution of our cloud SIM and HyperConn business models. Our 1.0 and 2.0 businesses follow three-stage development, and 2.0 business will cooperate with more MNOs, MVNOs and local business partners through our PaaS and SaaS platform.

Stage 1 is B2C retail. We have proven our technology and business model being successful and profitable. We provide superior data connectivity services to end-users backed by our PaaS and SaaS platform.

Stage 2 is B2B2C wholesale, where we can work with partners in different countries to use their brand while copying our business model. It is faster than expanding by ourselves and requires less spending. Our business partners can also manage their business and provide better services to their users via our PaaS and SaaS platform.

Stage 3, PaaS and SaaS platform (with various business models). Our business partners can rely on our PaaS and SaaS platform for SIM and data traffic management, and focus on sales and marketing, which should facilitate and consolidate a full marketplace of customer and business partner resources on our platform. Our advanced PaaS and SaaS platform can optimize the utilization efficiency of the SIM card pool and improve the algorithms for better network quality with the capacity improvement for Over the Top (OTT) management. Our PaaS and SaaS platform can provide business partners with more strengthened services via our HyperConn, such as data management, terminal management, sales and rental of terminals and customers management system. The PaaS and SaaS monetization model mainly includes revenue sharing, SIM hosting fee, etc.

Page 11 Clear Growth Strategies Across Business Models

Let us move to **Page 11** which shows our three growth strategies of our business. uCloudlink 1.0 ("uCloudlink 1.0 international data connectivity services") focuses on cross-border travelers. Our technology facilitates "single operator entry point to access all available networks globally". We have a leading global 5G roaming solution which is an easy roaming solution for carriers. We provide better service quality than other roaming technologies.

uCloudlink 2.0 (“uCloudlink 2.0 local data connectivity services”) focuses on local residents and solves challenges between carriers. Our technology facilitates “single operator entry point to access all available local networks”. It has started gaining fast growth to become a huge volume user number company. We are developing GMI with handset vendors, cooperating with MNOs and MVNOs, developing more 5G related products and services, building local operation successfully with local partners and catching local mobile broadband and IoT GMI opportunities.

uCloudlink 3.0 is in trials and is technologically ready. After user base accumulation is completed, we believe this will trigger mobile data traffic market with huge opportunities and development.

Page 12 Unique Business Model with High Barriers to Entry

Let us move to **Page 12**. Our team has a lot of experts in the telecom industry and in-depth knowledge related to technology such as our HyperConn technology solution, chipsets and networks. We believe it can facilitate us to strengthen our position as a pioneer in providing innovative technology solutions, using PaaS and SaaS platform based on cloud SIM and HyperConn technology solution in the 5G cloud era.

Page 13 uCloudlink 1.0: Expect Recovery Post COVID-19 Pandemic with More Growth Potential

Let us move to **Page 13**. uCloudlink 1.0 is our international data connectivity services business, which has had a strong track record of high gross margins and profitability with ongoing growth potential. We have established an intelligent “wholesale to retail” repackaging solution to minimize unit cost of data traffic, in that as data packages of single operator or cross MNOs, MVNOs are priced differently. This is attributable to our large SIM card pool and our ability to acquire data packages at local wholesale prices from operators and partners. We further differentiate ourselves with our multi-network reselection and combination technologies, which could ensure high-quality data connectivity and an improved user experience. uCloudlink 1.0 business monetization model includes retail (To C, rental or selling to the end user), wholesale (To B, for business partners) and our PaaS and SaaS services (such as CRM, billing management, devices selling and rental management, etc.). For wholesale To B, we can act as a reseller or provide commission services to our business partners. We allow our business partners to share data traffic pools through our PaaS and SaaS platform and charge a commission fee.

During the first quarter of 2022, our 1.0 business revenues has slightly increased by 2.2% compared to the same period in 2021. As international travel restrictions around the world continue to abate over time, the number of daily active terminal (“DAT”) for the 1.0 business has increased during the first quarter of 2022, indicating that more and more customers are using our products and services. With an increasingly diversified geographic market composition, we are positive that the revenues from 1.0 business will steadily grow and exceed pre-COVID level in the future.

We will continue to develop and enrich our 1.0 product offerings. Our goal, as always, is to provide the best-quality products and services for our global customers which ensure better international data connectivity.

Page 14 uCloudlink 2.0: Rapid Growth Track Record of Local Demand and Massive Opportunities

Let us move to **Page 14**. uCloudlink 2.0 is our local data connectivity services business and has become a new driver of revenue growth since 2020. Its business monetization model is similar to that of uCloudlink 1.0 with a massive potential local user base. Our new HyperConn technology contributes to the further development and growth of our uCloudlink 2.0 business, and we have expanded the business scope of our local data connectivity services. Currently, our innovative HyperConn technology is widely accepted by MNOs and business partners in various industries with great growth potential, such as with local partners in China, the US and Japan.

In the past quarters, we have continued to strengthen our presence in our existing markets, including Japan, North America and southeast Asia, where we helped operators improve their data services and solve data connection problems through our PaaS and SaaS platform. We provide high-quality data connection for 5G applications in response to the increased demand for better connectivity services. Furthermore, as people get used to the “new normal”, our products and services provide better performing solutions for remote work and learning which require reliable connectivity as well.

We adapt ourselves to the evolving market by introducing innovative products to address various 2.0 business application scenarios. During the first quarter of 2022, our various IoT solutions, which have successfully started to gauge customers’ interest and have been perceived as reliable and high-quality data connectivity services in markets like Japan and North America, achieved further recognition. Our revenues from 2.0 business increased 185.4% compared to the same period in prior year. Our customers were able to realize reduced operating costs and improved data connectivity experiences through these cutting-edge IoT solutions, and we continue to focus on exploring new business prospects to serve a broader spectrum of partners with IoT needs.

We expect our 2.0 business to grow with the support of our innovative cloud SIM and HyperConn technology as we continue to introduce our solutions, services and products to the markets and strengthen our collaborations with local partners.

Page 15 Hyperconn™ Enabled Innovative Products and Services

Let us move to **Page 15**. Based on our innovative cloud SIM and HyperConn technology solution, we continue to develop and broaden our portfolio of offerings with new products and services, such as our self-developed terminals and third-party devices. Our HyperConn technology solution has been well perceived, and related products including industry Wi-Fi router, IP Camera, Power, emergency services, live broadcasting e-commerce, Autopilot, Augmented Reality and Virtual Reality (AR/VR) and clouding computing, etc., are gaining recognition, proven by a growing user base across a wide spectrum of industries.

In the first quarter of 2022, we promoted more innovative 5G products in countries and regions such as the US, Japan, and Europe. Furthermore, we have a leading global 5G roaming solution which is an easy roaming solution for carriers and we are one of few companies that could provide 5G products with global bands. This reflects our market confidence and continuous efforts on elevating user experience, as these new products, equipped with our innovative 5G technologies, marks not only the gradual recovery but also a new beginning for our growing path in the post-pandemic era. In terms of IoT side, we applied GMI (GlocalMe Inside) solution in IP Camera (“IPC”) commercially, and it has been promoted among multiple markets. Going forward, we plan to launch more of these types of innovative products and services.

U-CLOUDLINK positions itself as the pioneer technology solution provider in the data connectivity market. Through our mature 1.0 business and newer 2.0 business, U-CLOUDLINK is promoting the long-term development of the PaaS and SaaS ecosystem, which have been recognized by various

business partners, as showed in its increased revenue contribution by 7.8% in first quarter of 2022. Additionally, we have entered two new regional markets during the period. PaaS and SaaS platform is built upon uCloudlink's 1.0 and 2.0 business lines, and its growth relies on our ability to construct a healthy ecosystem. This requires our nonstop efforts in maintaining and expanding a strong partnership base, which includes MNOs, MVNOs, SIM card providers, our business customers, and more. We remain confident in our business development team to empower the building of our PaaS and SaaS ecosystem, and in our research and development team to address diversified needs our customers have posed to us. In the remainder of the year of 2022, we expect PaaS and SaaS platform revenues to grow into a more significant driver of U CLOUDLINK's business, and continues to enlarge its marginal effects and improve margin profiles.

We were able to reduce operating expenses and decrease the net loss through streamlining our business operations including optimizing labor costs compared to the first quarter of 2021. Going forward, we expect to further lower operating costs, as a way to improve our operating and financial performance.

We believe that from “connected” to “better connection”, U CLOUDLINK is a significant driving force in the transformation of the increasingly advanced information era. We are committed to building a more connected future for more customers and users and will strive to make a positive impact in serving the global user community.

I will now turn it over to our CFO Yimeng Shi who will go through business and financial highlights.

03 Business Highlights (Presenter: Yimeng Shi)

Page 17 Our Business Performance and Operating Highlights

Thank you, Mr. Chen. Hello everyone. Let us turn to **Page 17** for our business highlights. The left-hand side of the slide shows Daily Active Terminals (DAT) as of March 31, 2022.

Average daily active terminals in the first quarter were 273,870 (1,430 owned by the Company and 272,440 owned by our business partners), representing an increase of 33.5% from 205,082 in the first quarter of 2021. Our uCloudlink 2.0 service accounted for around 69.5% of total DAT during the first quarter of 2022. Average daily data usage per terminal was 1.74 GB in March 2022.

Page 18 Our Business and Revenue Are Increasingly Diversified Globally

Let us turn to **Page 18** which shows global diversification of our business.

We had around 96% of total revenue from outside Mainland China. During the first quarter 2022, Japan contributed to around 40% of total revenue. For other countries' revenue, the US market had the largest contribution to our business with further development of our US business and we will continue to expand other markets such as Europe and Southeast Asia, etc. During the first quarter of 2021, we had 6% of total revenue coming from Mainland China, 58% of total revenue coming from Japan and 36% of total revenue coming from other countries and regions.

04 Financial Highlights (Presenter: Yimeng Shi)

Page 20 Percentage of Our Service-Related Revenues and COVID-19 Impact

Let us turn to **Page 20**.

I will go through our financial highlights of the first quarter of 2022.

Service-related revenue as a percentage of total revenue was 62.9% during the first quarter of 2022 compared with 47.4% during the first quarter of 2021.

Revenues from local data connectivity service and PaaS and SaaS services increased 185.4% and 7.8% year over year respectively. This increase was primarily due to the expansion in the number of our business partners that use our PaaS and SaaS services to provide local data connectivity services. Revenues from PaaS and SaaS as a percentage of total revenue also increased to 15.8% during the first quarter of 2022 compared with 12.9% during the first quarter of 2021.

Page 21 Revenue Breakdown by Our Two Business Segments

Let us move to **Page 21** which shows the revenue breakdown of our two business segments, namely revenue from services and sales of products. Our total revenue decreased by 11.8% from US\$17.7 million in the first quarter of 2021 to US\$15.6 million in the first quarter of 2022, due to the negative impact of local COVID-19 resurgences and subsequent lockdowns in certain cities in China, including where our main manufacturers are based, which has impacted our revenues from sales of products. Revenue from services were US\$9.8 million, representing an increase of 17.2% from US\$8.4 million for the same period of 2021. This increase was primarily attributable to the increase in revenues from local data connectivity services.

Page 22 Higher Service Gross Margin Over Overall Gross Margin

Let us turn to **Page 22** for gross margin of our business. Our services gross margin increased to 49.0% in the first quarter of 2022 compared to 35.9% in the first quarter of 2021, and our overall gross margin was 37.4% in the first quarter of 2022 increased from 31.3% during the same period of 2021. The increase of our services gross margin during the first quarter of 2022 was primarily attributable to the increase of our PaaS and SaaS service revenue and data connectivity service via e-commerce retailing sales, both of which have higher gross margins over other business lines.

Page 23 Controlled Operating Expenses During Pandemic of COVID-19

Let us move to **Page 23** which shows the breakdown of our operating expense, excluding share-based compensation and others. Excluding share-based compensation, operating expense as a percentage of total revenue was 60% in the first quarter of 2022 compared with 71% during the first quarter of 2021. We had further streamlined our business operation including optimizing labor costs, and our total operating expenses excluding share-based compensation were decreased to US\$9.3million in the first quarter of 2022, compared to US\$12.6 million in the same period of 2021.

Page 24 Asset Light Business Model

Let us turn to **Page 24**. Operating cash flow was negative US\$4.4 million during the first quarter of 2022 compared to negative US\$6.7 million during the first quarter of 2021. Our cash and cash equivalents, and short-term deposits were US\$11.2 million as at March 31, 2022.

Our CAPEX was US\$6 thousand compared to US\$0.1 million in the same period of 2021.

Page 25 Net Income & Adjusted EBITDA

Let us move to **Page 25**. Net loss during the first quarter of 2022 was US\$7.9 million compared to US\$15.4 million during the first quarter of 2021. Adjusted EBITDA was negative US\$3.9 million during the first quarter of 2022 compared to negative US\$6.7 million during the first quarter of 2021. As mentioned above, the Company is working towards improving its bottom-line results, and financial position.

With that let me conclude today's presentation. Thank you and we start our Q&A session.

05 Q&A Session

[Standard Q&A instruction] + For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English.

[After Q&A]

Operator: As there are no further questions, I'd like to turn the call back over to management for closing remarks now.

Jillian Zeng:

Thank you once again for joining us today. If you have further questions, please feel free to contact UCLOUDLINK's investor relations through the contact information provided on our website or contact our Investor Relations firm the Equity Group.

Operator: This concludes the earnings conference call. You may now disconnect your line. Thank you.