

Q2 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. second 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 second 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 first quarter of 2022. We still encourage you to review in the second quarter of 2022 earnings presentation uploaded to our investor relations website with some latest updates. Hence, I will not elaborate on the parts similar with first quarter of 2022 earnings release, but will instead focus on our most recent developments in the second quarter.

Page 4 Vision and Mission Statement

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 the transformation from “connected” to “better connection” is an inevitable trend of the information age 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 “first-hand” 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 June 30, 2022, we had 116 patents approved and 68 patents pending for approval globally.

Page 9 Our Advanced Technology Enabling Secured and Robust Connectivity (Hyper-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. UCLLOUDLINK'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. For our 1.0 business, 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.

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. For our 2.0 business, the 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.

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.

During the second quarter of 2022, our 1.0 business revenues has increased by 40.1% compared to the same period in 2021. As international travel restrictions around the world continue to abate over time, the number of average daily active terminal for the 1.0 business has increased during the second quarter of 2022. Compared to second quarter of 2021, average daily active terminal has increased by 23.6%, a testament to the fast recovery of our 1.0 business which indicates that more and more customers are using our products and services. With our innovative global 5G roaming solutions, we hope to strengthen our leading technological position in providing reliable and high-quality international data connectivity services in more than 140 countries powered by our PaaS and SaaS Platform, enabling Single Operator Entry Point to access more than 300 global MNOs’ available networks. We remain positive about the ongoing recovery and growth of global tourism

demands and expect revenues from 1.0 business to steadily grow and exceed pre-COVID level in the future.

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 growth is built upon our efforts in exploring market opportunities such as the post-pandemic “New Normal” lifestyle that people are getting more and more used to, the development of 5G applications and in the IoT area, our abilities to improve network convergence and data connection, the cooperation with intelligent hardware manufacturers to implement GlocalMe Inside, etc.

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 and business partners improve their data connectivity services and solve data connection problems through our PaaS and SaaS platform based on our patented technologies including cloud SIM and HyperConn technology solution.

We adapt ourselves to the evolving market by introducing and upgrading innovative products to address various 2.0 business application scenarios. During the second quarter of 2022, our various IoT solutions such as industry Wi-Fi router, IP Camera, have gained increasing recognition in various markets, actively extending our footprint into more industries including power, emergency services and autopilot, etc. This is reflected by a 52.6% increase in 2.0 revenues during the second quarter of 2022 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.

In the second quarter of 2022, we continued to promote our existing portfolio of innovative 5G products in countries and regions such as the US, Japan, and Europe. We are now one of few companies that could provide 5G products with global bands. In terms of the IoT side, the IP Camera which was applied with our GMI solution that we launched commercially in the first quarter of 2022, has now been promoted in the international market and received global recognition with the innovative technologies that ensures a reliable, high-quality and innovative mobile data connection for the devices. Going forward, we plan to launch and provide more of these types of innovative products and services.

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

partners. 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 posed to us. In the coming quarters, we expect PaaS and SaaS platform revenues to grow into a more significant driver of our business, and continues to enlarge its marginal effects and improve margin profiles.

We are more than pleased to announce that our total revenues reached US\$18.0 million during the second quarter of 2022, which was slightly above our previous projection range due to a faster-than-expected recovery of international data connectivity services and development of local data connectivity services. We successfully achieved a positive operating cash flow for the first time since the second quarter of 2020 during the COVID-19 pandemic. We are confident in our financial and operational position to fuel better results in the future.

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. I will quickly go over our business highlights for the quarter ended June 30, 2022.

Average daily active terminals for the second quarter were 292,432 (1,223 owned by the Company and 291,209 owned by our business partners), representing an increase of 23.6% from 236,553 in the second quarter of 2021. Our uCloudlink 2.0 services accounted for around 68.0% of total DAT during the second quarter of 2022. Average daily data usage per terminal was 1.58 GB in June 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 99% of total revenue from outside Mainland China. During the second quarter of 2022, Japan contributed to around 38.1% 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 second quarter of 2021, we had 8.3% of total revenue coming from Mainland China, 52.6% of total revenue coming from Japan and 39.1% 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 second quarter of 2022.

Service-related revenue as a percentage of total revenues was 62.5% during the second quarter of 2022 compared with 48.5% during the second quarter of 2021.

Revenues from international data connectivity services and local data connectivity services increased by 40.1% and 52.6% year over year, respectively. This increase in revenues from data connectivity services was mainly attributable to the gradual recovery of international travel and the continuous development of our local data connectivity services business.

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 6.3% from US\$19.2 million in the second quarter of 2021 to US\$18.0 million in the second quarter of 2022, primarily due to the decrease in sales of data related products and others. Revenue from services were US\$11.2 million, representing an increase of 20.7% from US\$9.3 million for the same period of 2021. This increase was primarily attributable to the increase in revenues from international data connectivity services and 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 56.2% in the second quarter of 2022 compared to 45.4% in the same period of 2021, and our overall gross margin was 44.1% in the second quarter of 2022 increased from 28.1% during the same period of 2021. The increase of our services gross margin during the second quarter of 2022 was primarily attributable to higher margin profiles from international data connectivity services.

Page 23 Improvement of Business Operational Efficiency

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 41% in the second quarter of 2022 compared with 61% during the same period of 2021. We had further streamlined our business operation including optimizing labor costs, and our total operating expenses excluding share-based compensation decreased to US\$7.3 million in the second quarter of 2022, compared to US\$11.8 million in the same period of 2021.

Page 24 Asset Light Business Model

Let us turn to **Page 24**. Operating cash flow turned positive during the second quarter of 2022 and was US\$2.5 million, compared to negative US\$6.1 million during the same period of 2021. This is primarily a result of our ongoing efforts to improve margin profile and control operating expenses. Our cash and cash equivalents, and short-term deposits were US\$12.2 million as at June 30, 2022.

Our CAPEX was US\$0.2 million compared to US\$0.3 million in the same period of 2021.

Page 25 Net Income & Adjusted EBITDA

Let us move to **Page 25**. Net loss during the second quarter of 2022 was US\$6.3 million compared to US\$8.2 million during the second quarter of 2021. Adjusted EBITDA was negative US\$1.0 million during the second quarter of 2022 compared to negative US\$5.5 million during the second 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 UCLLOUDLINK'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.