

**Action Summary – 24 April 2023**

Analyst Theodore R. O'Neill *is initiating coverage of UCloudlink Group, Inc. with a Buy rating and an \$8 price target.*

- **We are initiating coverage of UCloudlink Group, Inc. with a Buy rating and an \$8 price target.** UCL is a market leading technology and communications company whose proprietary technology allows mobile phone users to access multiple networks during travel in one or more countries, access multiple networks in a single country and has developed a mobile data marketplace.
- **25% CAGR on core data services.** The volume of data moving through its platform has grown at a 25% CAGR for the last three years. Total data consumed through its platform in 2022 176,499 terabytes (20,747 procured by the company and 155,752 procured by its business partners) compared to 90,600 terabytes in 2019.
- **Revenue is rising as international tourism rebounds.** Although not strictly tied to international tourism, it is one of the driving components of sales. Indeed, UCL revenue is highly correlated with international airline passenger count. There is a 72% R<sup>2</sup> between UCL's quarterly revenue and the Bureau of Transportation Statistics from the U.S. Department of Transportation. International passenger volumes have not yet rebounded to peak levels but are moving in that direction.
- **Well protected technology moat.** At the end of 2022, it had 175 patents of which 130 are granted and 45 were pending. This is up from 43 at the end of Dec. 2019.
- **Attractive Valuation.** Based on our discounted future earnings model, the value of all future earnings is \$8/share. Were the shares to trade to the average multiple of its comparables on 2024 Price to Sales, or 2024 EV to Sales, the share price would be >\$12, exceeding our \$8 target.

4/21 Closing price: <b>\$3.85 USD</b>	Market cap: <b>\$123 million</b>	Multiple of book: <b>13x</b>	EV/2024 Sales: <b>0.97</b>
Diluted Class A ADS shares outstanding: <b>32 million</b>	Insider ownership: <b>&lt;5%</b>	3-mo avg. daily trading volume: <b>&lt;5,000</b>	Dividend /Yield: <b>NA</b>

**GAAP estimates (EPS per ADS - Revenue in USD millions)**

Period	EPS	Revenue	Op Margin
1Q22A	(\$0.27)	\$15.6	
2Q22A	(\$0.22)	\$18.0	
3Q22A	(\$0.15)	\$18.2	
4Q22A	<u>(\$0.03)</u>	<u>\$19.6</u>	
FY22A	<u>(\$0.64)</u>	<u>\$71.5</u>	<u>(26.9%)</u>
1Q23E	(\$0.07)	\$18.0	
2Q23E	(\$0.05)	\$20.0	
3Q23E	(\$0.01)	\$23.0	
4Q23E	<u>\$0.04</u>	<u>\$25.0</u>	
FY23E	<u>(\$0.10)</u>	<u>\$86.0</u>	<u>(3.5%)</u>
1Q24E	(\$0.03)	\$22.0	
2Q24E	\$0.02	\$26.0	
3Q24E	\$0.06	\$28.0	
4Q24E	<u>\$0.06</u>	<u>\$27.0</u>	
FY24E	<u>\$0.11</u>	<u>\$103.0</u>	<u>3.6%</u>

Note: Numbers may not add due to rounding. See our full model at the back of this report.

**Cash balance (in USD millions)**

• 2021A	• \$8.1
• 2022A	• \$15.1
• 2023E	• \$13.7
• 2024E	• \$21.2

**Adj. EBITDA (in USD millions)**

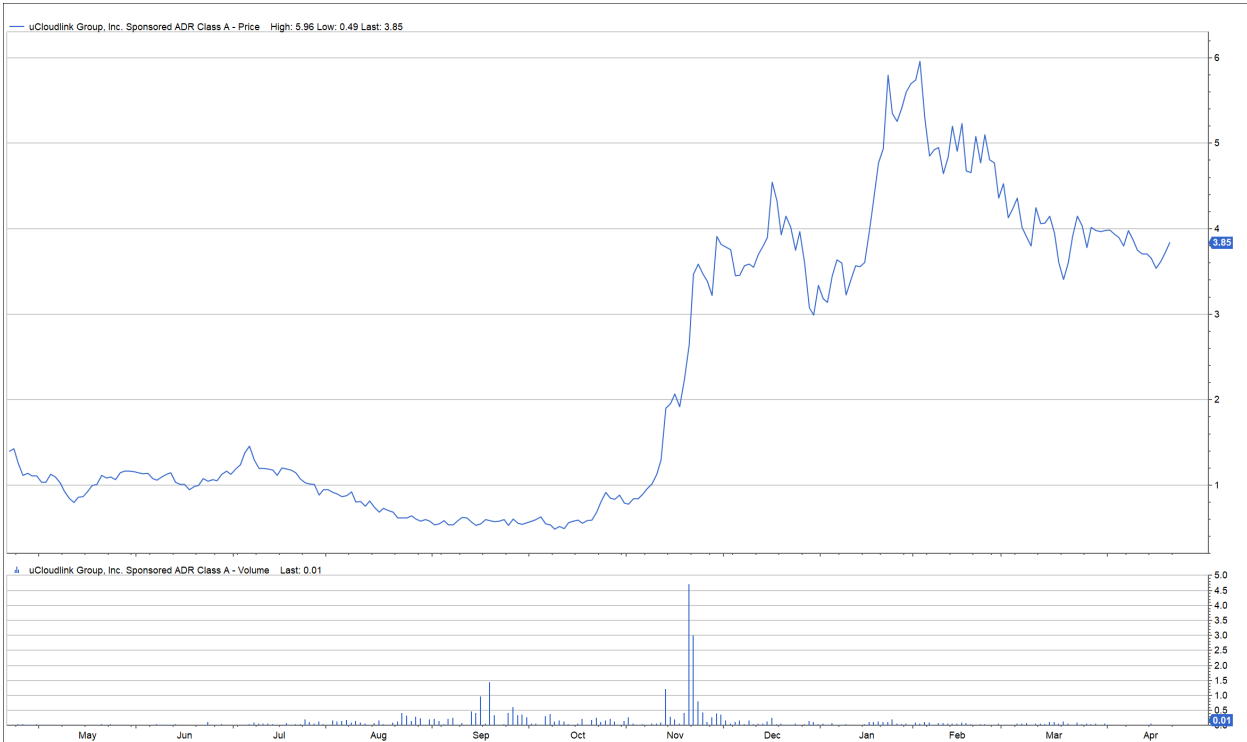
• 2021A	• (\$22.6)
• 2022A	• (\$2.3)
• 2023E	• \$3.0
• 2024E	• \$10.7

**Risks/Valuation**

- Risks: dependence on network operators, highly regulated industry, currently generating losses
- Our \$8 price target is derived from our discounted future earnings model

**Company description:** UCloudlink Group, Inc. is the world's first and leading mobile data traffic sharing marketplace, pioneering the sharing economy business model for the telecommunications industry. The Company's products and services deliver unique value propositions to mobile data users, handset and smart-hardware companies, mobile virtual network operators (MVNOs) and mobile network operators (MNOs).

Figure 1 – UCloudlink Group, Inc. – One-Year Trading snapshot



Source: FactSet

## Investment Thesis

We are initiating coverage of UCloudlink Group, Inc. Inc. with a Buy rating and an \$8 price target. Our investment thesis is driven by strong growth, returning markets and what we consider to be an undervalued stock.

### Rapid Core Growth

The volume of data moving through its platform has grown at a 25% CAGR for the last three years. Total data consumed through its platform in 2022 was 176,499 terabytes (20,747 procured by the company and 155,752 procured by its business partners) compared to 90,600 terabytes in 2019.

### Increased revenue on increased international travel

Although not strictly tied to international tourism, it is one of the driving components of sales. Indeed, UCL revenue is highly correlated with international airline passenger count. With a one quarter lag, there is a 72%  $R^2$  between UCL's quarterly revenue and the Bureau of Transportation Statistics from the U.S. Department of Transportation. International passengers flying on all carriers saw their quarterly peak in 3Q19 just before Covid shut down travel. UCL's quarterly revenue peaked in the following quarter. Travel restrictions resulted in

international passenger volumes falling 98% from peak to trough, corresponding to a 66% drop in quarterly revenue at UCL. International passengers have not yet rebounded to peak levels but are moving in that direction.

**Well protected technology moat.** At the end of 2022, it had 175 patents, of which 130 have been granted relating to the cloud SIM technology in mainland China, Japan, the United States, and other jurisdictions, and had 45 pending patent applications. Its patents cover key technologies, including cloud SIM architecture and supporting terminals, design patents, hardware, antenna, and hardware configuration. It also owns 109 registered trademarks, including *GlocalMe*, *Roamingman* and *uCloudlink*, copyrights to 43 software programs relating to various aspects of operations, and 35 registered domain names, including [www.ucloudlink.com](http://www.ucloudlink.com), [www.GlocalMe.com](http://www.GlocalMe.com) and [www.roamingman.com](http://www.roamingman.com).

### Attractive Valuation.

The shares sell at a ~50% discount to our 12-month price target of \$8 and a ~70% discount to peer averages. Our \$8 target is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 6.5%. Additionally, were the shares to trade at Peer averages, the implied price is >\$12. These broadly confirm our view that the shares are undervalued.

## Valuation and Price Target

### Valuation Methodology

We believe UCL is undervalued, and we support that belief with two valuation techniques. For the purpose of determining our price target we use a discounted future earnings model, which we then compare to its valuation relative to peers.

### Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$8 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 7.0%. We assume earnings grow in double digits until 2027 before growth eventually slows to GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new services and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$8.00.

Figure 2 – UCloudlink Group, Inc. – Price Target Calculation

Implied Value of Future Discounted Earnings: <b>\$8.00</b>		
Year 1 is 2023		
Year	Forecast GAAP EPS	Discounted EPS
1	(\$0.10)	(\$0.10)
2	\$0.11	\$0.09
3	\$0.20	\$0.16
4	\$0.28	\$0.21
5	\$0.33	\$0.24
6	\$0.40	\$0.27
Terminal Value		\$7.12

Source: Litchfield Hills Research LLC

### Valuation Relative to Peers

Figure 3 is a summary of our UCL peer comparison. While these companies are in similar businesses, none of them is a pure comparable. Were the shares to trade to the average multiple of the group on 2024 Price to Sales, or 2024 EV to Sales, the share price would be >\$12, exceeding our \$8 target. This broadly confirms our view that, along with our discounted earnings model valuation, the shares are undervalued.

Figure 3 – UCloudlink Group, Inc. – Valuation of Peers

Ticker	Name	Price	Market Cap EUR	EV EUR	LTM Revenue EUR	LTM Sales / Market Cap	2024 Price to Sales	2024 EV / Sales	2024 EV / EBITDA
CRM-US	Salesforce, Inc.	€ 180.54	180,542	182,184	29,946	6.03	5.13	5.17	15.10
HUBS-US	HubSpot, Inc.	€ 382.07	18,871	17,796	1,647	11.46	8.23	7.77	46.95
ZM-US	Zoom Video Communications, Inc. Class A	€ 61.95	15,217	13,939	4,196	3.63	4.22	3.25	8.30
TWLO-US	Twilio, Inc. Class A	€ 55.18	9,802	7,365	3,641	2.69	2.23	1.60	
PCTY-US	Paylocity Holding Corp.	€ 181.92	10,145	10,230	953	10.65	7.82	7.89	24.75
ZI-US	ZoomInfo Technologies Inc	€ 20.53	8,300	9,001	1,045	7.94	5.79	6.29	14.19
FIVN-US	Five9, Inc.	€ 65.45	4,657	4,741	741	6.28	4.74	4.83	24.93
EVCN-US	EverCommerce, Inc.	€ 10.48	1,986	2,453	591	3.36	2.83	3.47	16.26
LVOX-US	LiveVox Holding, Inc. Class A	€ 2.66	267	236	0	NA	1.81	1.60	21.27
	Average					6.51	4.76	4.65	21.47
UCL-US	uCloudlink Group, Inc. Sponsored ADR	3.35	124	83	68.00	1.82	1.46	0.97	7.71
<b>UCL shares trading at a discount to peers:</b>						<b>-72%</b>	<b>-69%</b>	<b>-79%</b>	<b>-64%</b>

Source: Litchfield Hills Research LLC and FactSet

## Business Background

UCL is a market leading technology and communications company whose proprietary technology allows mobile phone users to access multiple networks during travel in one or more countries, access multiple networks in a single country and has developed a mobile data marketplace. UCL has transformed the traditional telecommunication business model, where users can only access the wireless network provided by their contracted Mobile Network Operators (MNOs) and are not able to use the networks of other local MNOs. By giving users access to its distributed SIM card pool, it frees users from this exclusivity and gives them the freedom to access the mobile networks of other MNOs without physically changing SIM cards. In 2022, the average daily active terminals (found at Amazon.com, and sites controlled by UCL, such as Glocalme.com) reached approximately 290,500 and each of those active terminals, on average, used 1,745 megabytes of mobile data per day. In addition to mobile data users, this technology creates value for other stakeholders in the telecommunications industry worldwide, including smartphone and smart-hardware companies, and mobile virtual network operators (MVNOs). It leverages the core uCloud technology to sell SaaS and PaaS services.

UCL developed its proprietary **cloud SIM** technology, which means that SIM cards are not embedded in the mobile terminals but remotely connected to the cloud. The company refers to this technology as uCloudlink 1.0. uCloudlink 1.0 focuses on *cross-border travelers* that need mobile data connectivity services across *different countries*. In its second-generation products, uCloudlink 2.0, provides mobile data connectivity services to local users across *different* Mobile Network Operators (MNOs) in a *single country* or region. For those of us in the U.S., this would be useful in rural areas where not all MNOs offer service. In 4Q22, of its revenue generating equipment supporting these, uCloudLink 2.0 was 2/3 of the business. UCL has aggregated mobile data traffic allowances from 337 mobile network operators (MNOs) in 144 countries and regions in its cloud SIM architecture.

Total data consumed through its platform in 2022 was 176,499 terabytes (20,747 procured by the company and 155,752 procured by its business partners) compared to 90,600 terabytes in 2019, implying a CAGR of 25%.

In some respects, cloud SIM technology enabled solutions are superior to other SIM-based technology solutions, such as embedded SIM (eSIM) and soft SIM, in terms of network availability, quality, connection and security. Its cloud SIM technology 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. Indeed, it is optimized to select the best network to achieve the highest quality signal. It is this proprietary cloud SIM technology that is the technological foundation of its marketplace, it is called uCloudlink 3.0. uCloudlink 3.0 is under development and features a full-blown marketplace of data traffic. The proposed uCloudlink 3.0 model has the potential to further improve the efficiency of data connectivity services. The company plans to establish and expand its data traffic marketplace to promote mobile data transaction and sharing by integrating the Cloud SIM technology and other technologies, such as blockchain technology. This business is in its trial.

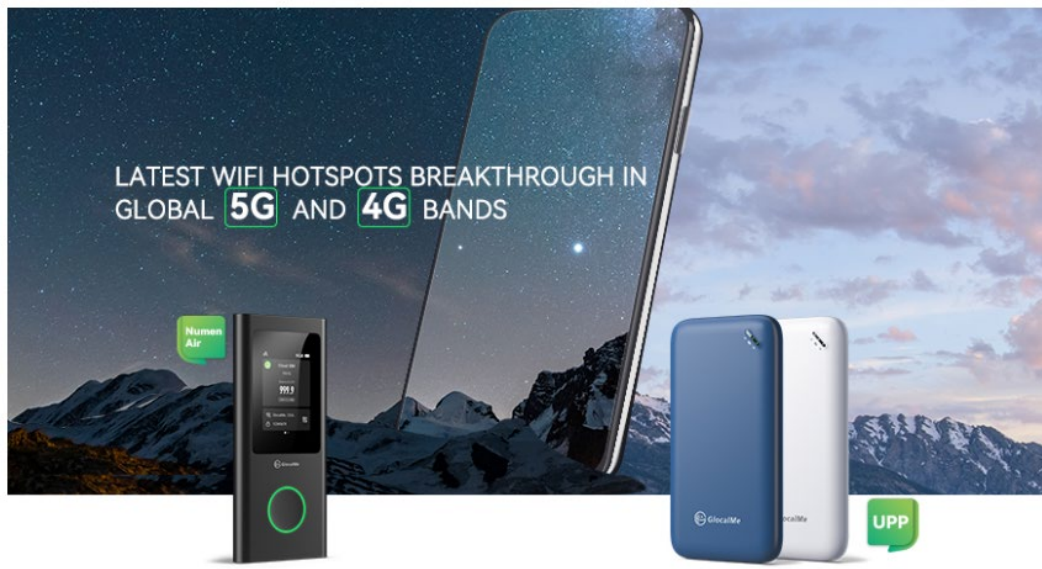
## Products

The product in Figure 4 automatically chooses the strongest mobile signal and transforms it into a private Wi-Fi network, connecting smart devices to the network. These are offered for sale or rent. There are eight SKUs.

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*Figure 4 – uCloudlink Group, Inc. – Optimized link for world travelers allows connection from your phone to any number of networks.*

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Source: Company website

As an early cursor for built-in eSIM, the company offers an outboard device to all single phones to support multiple SIM cards (Figure 5).

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*Figure 5 – uCloudlink Group, Inc. – SIMBox*

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Source: Company website

It also offers Cloud SIM functions to IoT makers with its IoT module to embed in devices (Figure 6).

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*Figure 6 – uCloudlink Group, Inc. – IoT Module*

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Source: Company website

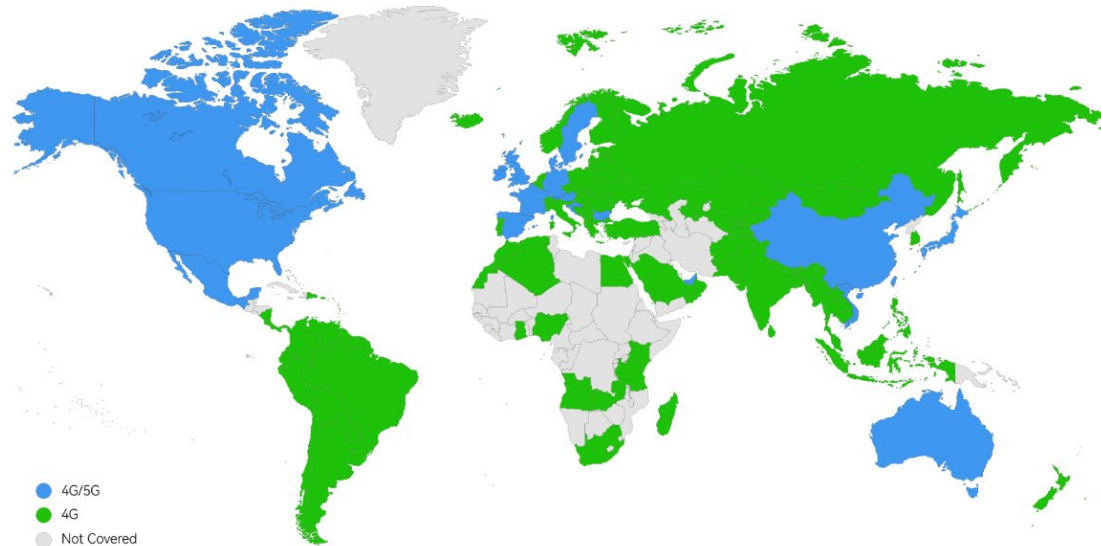
These products work in most areas around the globe (See Figure 7)



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*Figure 7 – uCloudlink Group, Inc. – Coverage Universe*

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Source: Company website

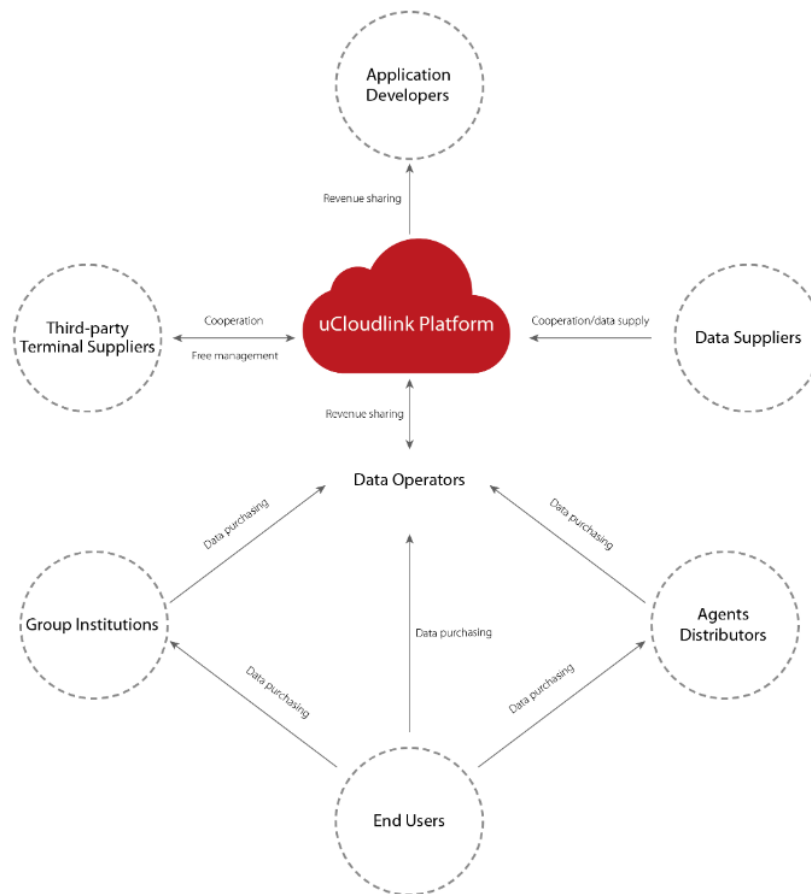
For network providers with clients on the uCloud, it offers SaaS and PaaS services that help them manage their business operations such as connectivity management, terminal management, customer relationship management (CRM) system and big data analysis, thereby improving end-users' experience (see Figure 8). In 4Q22, the most recent quarter, these services represented ~13% of revenue.

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*Figure 8 – uCloudlink Group, Inc. – SaaS*

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## Financial Estimates and Guidance

The company provides both next quarter and full-year guidance. For the first quarter of 2023, the company expects total revenues to be between \$17.5MM USD and \$18.5MM USD. For 2023, the company expects total revenues to be between \$85MM USD and \$100MM USD, representing an increase of 19.0% to 40.1% from 2022. Our forecasts fall within the range of guidance. For our expense forecast, the single largest variable within the operating expense category is “other expense.” This item includes *Fair value gains/(losses) on other investments*, which are debt and equity securities. These swung from a gain in 2020 to a loss for all of 2021 and 2022. It swung positive in 4Q22 and due to improvements in the global economy, we expect this line item will show a smaller loss in 2023 and 2024 and may even swing positive. We expect to see mild improvement in operating margins and anticipate the company to reach breakeven by 3Q24.

## Management

**Zhiping Peng**

Chairman of the Board of Directors

Mr. Zhiping Peng is the founder and has served as Chairman of the board of directors since 2015. Prior to co-founding the company, Mr. Peng worked at Huawei from 1996 to 2014, where he served as SVP of Huawei, Chief Procurement and Supply Chain Officer, President of Optical Product Line, and President of the Huawei Device Company. Prior to that, Mr. Peng served as a project manager at China Kejian Co., Ltd. from 1993 to 1996. Mr. Peng also serves as the chairman of the board of directors of Shenzhen Leafoo Bio-technology Co., Ltd, a company that manufactures and sells healthcare products. Mr. Peng received his bachelor's degree in radio and automatic control and a master's degree in automatic control from Fudan University in China.

**Chaohui Chen**

Director and Chief Executive Officer

Mr. Chaohui Chen is the founder and has served as Director and Chief Executive Officer since 2015. Prior to co-founding the company, Mr. Chen worked at Huawei from 1994 to 2013 where he served as SVP of Huawei; President of Huawei Device Company; CEO of Huawei UK & Ireland and President of Wireless Product Line. Prior to that, Mr. Chen served as an R&D engineer at Guangdong Province Computer Co., Ltd. from 1992 to 1994. Mr. Chen also serves as a director of Maya System, Inc., in which UCL made an equity investment. Mr. Chen received his bachelor's degree in applied physics from the National University of Defense Technology in China and a master's degree in nuclear electronics from the China Institute of Atomic Energy.

**Zhigang Du**

Chief Operating Officer

Mr. Zhigang Du has served as the Chief Operating Officer since 2014. Prior to joining, Mr. Du served as Vice President in charge of operations at Hytera Communications Corporation Ltd. from 2012 to 2014. From 2009 to 2012, Mr. Du worked as an independent consultant providing management consulting services. Prior to that, Mr. Du worked at Huawei from 1997 to 2009, where he served as Assistant President of the East Africa Region; Director of Technical Service of China Region and Deputy Director of Testing Department. Mr. Du served as Environmental Engineer and Project Manager at Lanzhou Coal Mining Design and Research Institute from 1988 to 1994. Mr. Du received his bachelor's degree of meteorology and his master's degree of business administration from Lanzhou University in China.

**Yimeng Shi**

Chief Financial Officer

Mr. Yimeng Shi has served as the Chief Financial Officer since 2014. Previously, Mr. Shi worked at Huawei from 2005 to 2014, where he performed finance management in Huawei UK & Ireland and Huawei North Latin America. From 2004 to 2005, Mr. Shi served as an Accountant at Nortel Communication Equipment Co., Ltd. in Guangdong. Mr. Shi also serves as a Director of Maya System, Inc., in which UCL made an equity investment. Mr. Shi received his master's degree of law from Jinan University in Guangzhou, China. He also received his bachelor's degree of Business Study in Accountancy from the University of Massey in New Zealand.

**Wen Gao**

Chief Strategy Officer

Mr. Wen was appointed as the Chief Strategy Officer in September 2020. Prior to that, Mr. Wen Gao served as the chief sales officer since 2014. Prior to joining, Mr. Gao worked at Huawei from 2007 to 2011, where he served as the Director of Software Platform Department in Huawei Device Company. Prior to that, Mr. Gao worked as a software R&D engineer and manager for several high technology companies in Shenzhen, China from 1995 to 2007. Mr. Gao received his bachelor's degree and master's degree in computer application from Wuhan Surveying and Mapping University of Science and Technology in China, which was later merged into Wuhan University.

**Shubao Pei**

Chief R&D Officer and Chief Supply Chain Officer



UCloudlink Group, Inc.

UCL-US - Buy \$8 PT

Mr. Shubao Pei has served as the Chief R&D officer since 2014 and was also appointed as chief Supply Chain Officer in January 2021. Prior to joining the company, Mr. Pei worked at Huawei from 1997 to 2014, where he served as the Director of New Product Introduction in Supply Chain and Director of OSS and Service Development Department. Mr. Pei received his bachelor's degree in computer engineering and his master's degree in mechanical engineering, both from Xi'an Jiaotong University in China.

**Zhihui Gong**

Chief Technology Officer

Mr. Zhihui Gong has served as the Chief Technology Officer since 2015. Prior to joining, Mr. Gong worked at Shenzhen Liming Network Co., Ltd from 1997 to 2015, performing IT planning, architecture, enterprise system design and cloud service platform, software development management, technology management and planning. Mr. Gong received his doctor's degree from Huazhong University of Science and Technology in China.

Figure 9 – UCloudlink Group, Inc. – Income Statement (\$000 USD, except per share)

December ending year	2021A	2022A	2023E				2023E	2024E				2024E
	Year	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Revenue from services	37,799	46,228	\$12,500	\$13,000	\$15,000	\$18,000	58,500	\$15,000	\$18,000	\$20,000	\$20,000	73,000
Revenue from products	36,026	25,233	5,500	7,000	8,000	7,000	27,500	7,000	8,000	8,000	7,000	30,000
<b>Total revenue</b>	<b>\$73,825</b>	<b>\$71,461</b>	<b>\$18,000</b>	<b>\$20,000</b>	<b>\$23,000</b>	<b>\$25,000</b>	<b>\$86,000</b>	<b>\$22,000</b>	<b>\$26,000</b>	<b>\$28,000</b>	<b>\$27,000</b>	<b>\$103,000</b>
<i>Growth</i>		-3%	15%	11%	26%	27%	20%	22%	30%	22%	8%	20%
<i>Cost of services</i>	21,556	20,346	5,625	5,850	6,750	8,100	26,325	6,750	8,100	9,000	9,000	32,850
<i>Cost of products</i>	30,434	18,581	3,960	5,040	5,760	5,040	19,800	5,040	5,760	5,760	5,040	21,600
Cost of Goods	51,990	38,927	9,585	10,890	12,510	13,140	46,125	11,790	13,860	14,760	14,040	54,450
<b>Gross Profit</b>	<b>21,835</b>	<b>32,534</b>	<b>8,415</b>	<b>9,110</b>	<b>10,490</b>	<b>11,860</b>	<b>39,875</b>	<b>10,210</b>	<b>12,140</b>	<b>13,240</b>	<b>12,960</b>	<b>48,550</b>
<b>Gross Margin</b>	<b>29.6%</b>	<b>45.5%</b>	<b>46.8%</b>	<b>45.6%</b>	<b>45.6%</b>	<b>47.4%</b>	<b>46.4%</b>	<b>46.4%</b>	<b>46.7%</b>	<b>47.3%</b>	<b>48.0%</b>	<b>47.1%</b>
R&D	13,697	8,430	2,300	2,200	2,100	2,000	8,600	2,415	2,310	2,205	2,100	9,030
Sales and Marketing	13,620	10,305	2,500	2,600	2,600	2,600	10,300	2,625	2,730	2,730	2,730	10,815
G&A	28,552	18,726	5,000	5,000	5,000	5,000	20,000	5,250	5,250	5,250	5,250	21,000
Other expense, net	11,876	14,265	1,000	1,000	1,000	1,000	4,000	1,000	1,000	1,000	1,000	4,000
Total Operating Expenses	67,745	51,726	10,800	10,800	10,700	10,600	42,900	11,290	11,290	11,185	11,080	44,845
Operating expense margins	92%	72%	60%	54%	47%	42%	50%	51%	43%	40%	41%	44%
<b>Operating Income</b>	<b>(45,910)</b>	<b>(19,192)</b>	<b>(2,385)</b>	<b>(1,690)</b>	<b>(210)</b>	<b>1,260</b>	<b>(3,025)</b>	<b>(1,080)</b>	<b>850</b>	<b>2,055</b>	<b>1,880</b>	<b>3,705</b>
<b>Operating Margin</b>	<b>-62.2%</b>	<b>-26.9%</b>	<b>-13.3%</b>	<b>-8.5%</b>	<b>-0.9%</b>	<b>5.0%</b>	<b>-3.5%</b>	<b>-4.9%</b>	<b>3.3%</b>	<b>7.3%</b>	<b>7.0%</b>	<b>3.6%</b>
Total Other Items	(174)	(572)	(50)	(50)	(50)	(50)	(200)	(50)	(50)	(50)	(50)	(200)
<b>Pre-Tax Income</b>	<b>(46,084)</b>	<b>(19,764)</b>	<b>(2,435)</b>	<b>(1,740)</b>	<b>(260)</b>	<b>1,210</b>	<b>(3,225)</b>	<b>(1,130)</b>	<b>800</b>	<b>2,005</b>	<b>1,830</b>	<b>3,505</b>
<b>Pre-Tax Margin</b>	<b>-62.4%</b>	<b>-27.7%</b>	<b>-13.5%</b>	<b>-8.7%</b>	<b>-1.1%</b>	<b>4.8%</b>	<b>-3.8%</b>	<b>-5.1%</b>	<b>3.1%</b>	<b>7.2%</b>	<b>6.8%</b>	<b>3.4%</b>
Taxes (benefit)	(43)	89	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.1%	-0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>(46,041)</b>	<b>(19,853)</b>	<b>(2,435)</b>	<b>(1,740)</b>	<b>(260)</b>	<b>1,210</b>	<b>(3,225)</b>	<b>(1,130)</b>	<b>800</b>	<b>2,005</b>	<b>1,830</b>	<b>3,505</b>
<b>Net Margin</b>	<b>-62.4%</b>	<b>-27.8%</b>	<b>-13.5%</b>	<b>-8.7%</b>	<b>-1.1%</b>	<b>4.8%</b>	<b>-3.8%</b>	<b>-5.1%</b>	<b>3.1%</b>	<b>7.2%</b>	<b>6.8%</b>	<b>3.4%</b>
<b>EPS</b>	<b>(0.16)</b>	<b>(0.06)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>
<b>EPS per ADS</b>	<b>(1.61)</b>	<b>(0.64)</b>	<b>(0.07)</b>	<b>(0.05)</b>	<b>(0.01)</b>	<b>0.04</b>	<b>(0.10)</b>	<b>(0.03)</b>	<b>0.02</b>	<b>0.06</b>	<b>0.06</b>	<b>0.11</b>
<b>Share count</b>	<b>285,979</b>	<b>312,485</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>330,000</b>

Source: Company reports and Litchfield Hills Research LLC

Figure 10 – UCloudlink Group, Inc. – Balance Sheet (\$000 USD)

December ending year	2024E	2023E	2022A	2021A
<b>Balance sheet</b>				
Current Assets				
Cash and S.T.I.	\$21,165	\$13,710	\$15,118	\$8,064
Accounts receivable	6,800	6,200	5,961	14,923
Inventories	12,000	12,000	11,690	12,587
Other assets	5,750	5,500	4,953	7,378
<b>Total Current Assets</b>	<b>49,915</b>	<b>41,310</b>	<b>41,346</b>	<b>49,085</b>
Net PP&E	2,100	2,000	1,181	1,796
Other non-current assets	3,800	3,500	3,407	16,244
<b>Total Assets</b>	<b>\$55,815</b>	<b>\$46,810</b>	<b>\$45,934</b>	<b>\$67,125</b>
Current Liabilities				
Accounts payable	\$9,000	\$8,000	\$6,832	\$12,986
Accrued expenses	31,000	28,000	26,890	30,757
Other current liabilities	3,500	3,000	2,717	3,028
<b>Total current liabilities</b>	<b>43,500</b>	<b>39,000</b>	<b>36,439</b>	<b>46,771</b>
Notes	1,000	0	0	0
Other non-current	300	300	204	262
<b>Total Liabilities</b>	<b>44,800</b>	<b>39,300</b>	<b>36,643</b>	<b>47,033</b>
Stockholders' Equity				
Preferred stock				
Common stock	112	112	18	14
Additional paid-in-capital	240,000	240,000	236,774	230,048
Retained earnings	(229,097)	(232,602)	(229,377)	(209,524)
Cum. trans. adj. and treasury stock	0	0	1,876	(446)
Total stockholders' equity	11,015	7,510	9,291	20,092
<b>Total Liabilities and equity</b>	<b>\$55,815</b>	<b>\$46,810</b>	<b>\$45,934</b>	<b>\$67,125</b>

Source: Company reports and Litchfield Hills Research LLC

Figure 11 – UCloudlink Group, Inc. – Cash Flow (\$000 USD)

	2024E	2023E	2022A
Net Income	\$3,505	(\$3,225)	(\$19,853)
Accounts receivable	(600)	(239)	8,962
Inventories	(300)	(276)	2,509
Other investments	0	(310)	897
Other assets	(250)	(547)	2,425
PP&E	(100)	(819)	615
Other non-current	(300)	(93)	12,837
Accounts payable	1,000	1,168	(6,154)
Accrued expenses	2,000	986	(3,566)
Short term borrowings	1,000	124	(301)
Other current liabilities	500	283	(311)
Notes	1,000	0	0
Other non-current	0	96	(58)
Preferred stock	0	0	0
Commons stock	0	94	4
Additional paid in capital	0	3,226	6,726
Accumulated other comp. loss and other	0	(1,876)	2,322
Dividend and/or tax adj.			
Total Cash Flow	\$7,455	(\$1,408)	\$7,054

Source: Litchfield Hills Research LLC

**Disclosures:**

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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