

UCL Earnings Call Transcript

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Quarter: 3

Operator: Hello, and welcome to the uCloudlink Group Inc. Third Quarter 2025 Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing star and then zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star and then one on your telephone keypad. To withdraw your question, please press star and then two. Please note that this event is being recorded. I would now like to turn the conference over to Daniel Gao, Investor Relations of uCloudlink Group Inc. Thank you, and over to you. Hello, everyone. Thank you for joining us on uCloudlink's third quarter 2025 earnings call.

Daniel Gao: Earnings release and our earnings presentation are now available on our IR website at ir.ucloudlink.com. Joining me on today's call are Mr. Zhiping Peng, Co-Founder and Chairman of the Board of Directors, Mr. Chaohui Chen, Co-Founder, Director, and Chief Executive Officer, and Mr. Yimeng Shi, 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 the quarter. They will all be available to take your questions in the Q&A section 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 projected or included 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.

Chaohui Chen: Thank you, Daniel. And good morning or evening, everyone. Amid a complex macroeconomic and trade environment, we remain disciplined in our execution while maintaining operational profitability. This balanced approach allows us to successfully navigate these external challenges and reinforce the resilience of our business while also laying the foundation for long-term value creation. We remain profitable and continue to generate stable margins, with total revenue of \$21.1 million and net income of \$9.3 million during the quarter. Our global ecosystem is gaining momentum as it grows in scale and global user adoption. Likewise, our 1.0 international data connectivity services business continues to grow with full-speed 5G network coverage across 91 countries and regions. As we continue to gain market shares and reinforce our leadership position in the global long-term sector, we remain focused on overcoming the world's first three fundamental digital divides through transformative connectivity solutions. Firstly, we are eliminating the global connectivity divide by breaking down international roaming barriers and providing seamless network access

worldwide. Secondly, through our patented Cloud Sync and HyperConn technologies, we tackle the single multi-network divide by enabling intelligent and optimized connectivity across multiple networks. Lastly, most innovatively, we are bridging the emotional digital divide with our AI-powered technology, creating entirely new and meaningful connections between humans and their pets. Building on this mission, our strategic investment in R&D; and marketing expenses to accelerate innovation, enhance user experience, and speed up commercialization of our three new growth engines are yielding strong results. Our three new product lines, GlocalMe SIM, GlocalMe IoT, and GlocalMe Live, saw remarkable year-over-year MAU growth during the quarter, increasing 382.3%, 188.2%, and 593.3%, respectively. Feedback has been overwhelmingly positive, reflecting how our solutions directly address market demand and validating our investment strategy. I will now review the highlights for each of our key business lines. We will start with our GlocalMe Live business. In 2025, the average monthly active terminal reached 3,903, representing an increase of 48.2% year-over-year. Within our broader GlocalMe Live portfolio, which includes our industry-first Unicore Plus, Unicore Pro, and Long Plug MAT, grew by 369.3% excluding platform year-over-year, reflecting strong user adoption across these innovative plans. Building on this solid foundation of product excellence, I will now highlight the significant progress we made with our flagship product, Petfone. Designed to bridge the digital divide between humans and their pets, Petfone is already gaining momentum after its initial commercial launch in September 2025 in Hong Kong and across the Middle East, where it has already generated orders for approximately 40,000 units. As we continue to expand our distribution channels and partners, at the IFA 2025 in Berlin, Petfone was recognized as an honoree in the communications and connectivity category of the inaugural IFA Innovation Awards. We also received the Best of IFA Year 2025 distinctions from Yanko Design, Home Klugus, and Mercedes Reviews. Following the showcase of our solutions at IFA Berlin 2025, we are now in advanced discussions with several major retail channels, including one key partner. Furthermore, we successfully entered into a partnership with a leading online pet retail platform in North America, where initial product shipments have already begun. With the strategic foothold being established across Hong Kong, the Middle East, North America, and Europe, we plan to establish a new operational structure and raise additional capital to accelerate our global expansion of our pet tech business. We also plan to develop PetTech as a standalone application that extends beyond smart hardware and builds a comprehensive systematic platform, integrating social entertainment, live streaming, and a comprehensive pet ecosystem. The initial version of this new app is expected to launch in 2025. Our GlocalMe IoT business maintained its strong growth trajectory, with user adoption and revenue contribution showing substantial year-over-year improvements. In the third quarter, average demand active terminal for GlocalMe IoT recorded a year-over-year increase of 580.3%. We secured orders for in-car infotainment systems, while our initiatives in the security camera sectors are now fully deployed and entering a phase of expansion to broaden partnerships across several high-growth verticals. Having established an initial presence in this key sector, we plan to expand our solutions into additional industries in the future. Turning to our GlocalMe SIM business line, over the past nine months, GlocalMe SIM has surpassed 400,000 cumulative cards sold, including OTA SIM, eSIM, and eSIM Trio, a game-changing solution demonstrating clear technology leadership in the industry. The eSIM Trio was named as a Best of IFA Year 2025 by Mark Ellis Reviews, further highlighting its innovation and market recognition. This momentum has fueled our growth, driving a 269.5% year-over-year increase in average monthly active terminals during the third quarter. The eSIM Trio solution has continued to gain strong traction following the wider spread distribution of 10,000 trial units under a pilot program. It generated positive user feedback and had more than 75% in user registration and more than 30% in active engagement, validating both our carrier partnership model and product market fit. Our carrier cost insurance program has also made significant progress. We have completed pilot negotiations with multiple operators and expect to commence joint testing and pilot initiatives in the coming quarters, laying the groundwork for future larger-scale carrier partnerships. Lastly, our GlocalMe mobile fixed broadband business remains stable, with growing order momentum expected to provide a stable foundation for our future growth. The launch of our MiFi Go G40 Pro and the cutting-edge MiFi Go G50 MAX are expected to serve as growth engines for the coming quarters. The MiFi Go G40 Pro is a revolutionary upgrade and a milestone product enabling users to stay connected through one single device and one account. The

product began deliveries by the end of the quarter and is the world's first device to support eFry Wi-Fi and connect SIMs across several usage scenarios such as home, airports, office, and cafes. With the MiFi Go G40 Pro, we are transforming portable connectivity from an international travel-only solution into a true multi-scenario companion. Powered by our patented AI HyperConn technology, it seamlessly serves users through one single intelligent device and one account regardless of where they are. HyperConn, our industry-leading solution, also lays the foundation for larger-scale product iteration and future upgrades. Furthermore, we will launch the MiFi Go G50 MAX with sky-to-ground 5G satellite integration and AI-driven network switching, further solidifying our innovative leadership in the mobile fixed broadband industry. This device also enhances network quality through AI-powered real-time congestion detection, delivering a faster and more reliable user experience. Looking ahead, we are entering the next phase of expansion where we will scale our global user base, further diversify our revenue streams, drive innovation across our ecosystem, and sustain a healthy financial performance. The launch of MiFi Go G40 Pro and cutting-edge MiFi Go G50 MAX, combined with the launch of Petfone, the strong validation of the eSIM Trio pilot, and the robust expansion of our IoT solutions, provides us with several robust growth engines going forward, laying a solid foundation for future growth. Having successfully navigated external challenges, we are confident in our ability to scale our user base, extend our global partnerships, and deliver growth in the coming years as we continue to innovate and bridge digital divides for users worldwide. We are confident that we have the right strategy in place to generate sustainable growth in the coming quarters. For the first quarter of 2025, we expect total revenues to be between \$22 million to \$26.5 million, representing a decrease of 15.4% to an increase of 1.9% compared to the same period of 2024. For the full year of 2025, we currently expect revenue to be in a range of \$81.3 million to \$85.8 million. The company is revising its guidance in light of the persistent macroeconomic challenges and global trade headwinds, which have set and may continue to have a broader impact across the industry. I will now turn the call over to Mr. Shi.

Yimeng Shi: Thank you, Mr. Chen. Hello, everyone. I will go over our operational and financial highlights for 2025. Average daily active terminal (DAT) and average monthly active terminal (MAT) are important operating metrics for us. They measure customer usage trends over the periods and are reflective of our business performance. In 2025, our EBITDA was \$332,674, of which \$21,484 was owned by the company and \$311,190 was not owned by the company, representing an increase of 3.8% from 2024. During 2025, 57.3% of DAT were from uCloudlink 1.0 international data connectivity service and 42.7% were from uCloudlink 2.0 local data connectivity service. In September 2025, the average daily data usage per terminal was 1.7 gigabytes. Starting from this quarter, we are disclosing our average daily active users (DAU) and monthly active users (MAU), which represent the average number of unique users engaging with our connectivity service on a daily and monthly basis, respectively. We believe these metrics will better reflect the progress we are making in driving user engagement across our different business lines and how we are managing and monetizing our user bases as we scale up. Growth in average DAUs and MAUs follows similar patterns, with strong momentum. Average MAUs in the third quarter were 761,586, representing an increase of 11.9% from 680,609 in 2024. Average MAUs from GlocalMe IoT, GlocalMe Sync, and GlocalMe Live business lines saw increases of 593.3%, 188.2%, and 382.3%, respectively, from the same period last year. Average MAUs from GlocalMe mobile and fixed broadband business decreased slightly by 0.8% year-over-year. On September 30, 2025, the company had 201 patents, with 168 approved and 33 pending approval. The proof of SIM card was from 32 MNOs globally as of 09/30/2025. Total revenue for the third quarter of 2025 was \$21.1 million, representing a decrease of 16% from \$25.2 million in the same period of 2024. Revenue from service was \$17 million in the third quarter of 2025, representing a decrease of 1.4% from \$17 million in the same period of 2024. Revenue from service contributed 80.6% of the total revenue during the third quarter of 2025, compared to 68.6% in the same period last year. Geographically speaking, during the third quarter of 2025, Japan contributed 33.2%, Mainland China contributed 35.1%, North America contributed 15.4%, and other countries and regions contributed the remaining 16.3%, compared to 46.6%, 27.8%, 12.8%, and 12.8%, respectively, in the same period of 2024. Our gross profit was \$11.3 million in 2025 compared to \$12 million in the same period of 2024. Overall gross margins in 2025 further rose to 53.6% from 48.4% in the same period of 2024. The gross

margins on service were 36.6% in 2025 compared to 60% in the same period of 2024. Excluding share-based compensation, total operating expenses were \$11 million or 32% of total revenue in the third quarter of 2025, compared to \$10 million or 39% of total revenue in the same period of 2024. Net income in 2025 was \$9.3 million compared to \$3.4 million in the same period of 2024. Adjusted EBITDA was \$1.4 million in the third quarter of 2025, compared to \$1 million in the same period of 2024. For the third quarter of 2025, we recorded an operating cash outflow of \$0.9 million compared to an operating cash inflow of \$2 million in the same period of 2024. For the third quarter of 2025, our capital expenditures were \$0.5 million compared to \$1.1 million in the same period of 2024. We maintained a solid balance sheet with cash and cash equivalents of \$28.5 million as of 09/30/2025, compared to \$30 million as of 12/31/2024. With that, operators, let's open it up for Q&A.;

Operator: Thank you. We will now begin the question and answer session. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star and then two. At this time, we will pause momentarily to assemble the roster. We have the first question from the line of Vivian Zhang from Diamond Equity Research. Please go ahead.

Vivian Zhang: Hello? Thank you for taking my question. So firstly, could you share with us the sources of this \$9 million in other income and how it was identified? Was it a one-time payment?

Yimeng Shi: Yes. As we disclosed, the \$9 million is about \$9 million of gain from the fair values of other investments. That's a change in fair values.

Vivian Zhang: Okay. I see. So the next question is, can you elaborate on the reasons for the decline in product sales?

Yimeng Shi: Yeah. In the third quarter, the sales product decreased by \$4 million in total, and this split into two parts. One part is \$2.6 million sales decrease from the product related to data, which is a very low-margin product. So for the third quarter, for this very low-margin product, the sale amount was quite low compared with last year's. And the second part is the sales terminal decreasing by \$1.1 million, which is, as we mentioned, a Japanese customer delayed their two MPB's orders. One is related to the 5G portable WiFi, and one is related to the 4G mobile WiFi hotspot. And this order, we expect, will be coming in the fourth quarter. So that's a delay, a little bit of a delay in terms of periods. But as we disclosed, the MA DATs and MATs, DAU and MAUs, are all increasing compared with last year's. That means that the number of the terminal other than mobile broadband, the volumes, the new business, our GlocalMe Live, our GlocalMe IoT, and GlocalMe SIM sold are increasing dramatically compared with last year's. This operation metrics show a couple of times growth compared to the same period last year. But the revenue contributions in terms of proportions are small to account for, as we in terms of the pricing, the terminal, the live series product pricing is quite small proportions compared with 5G portable WiFi. So that's quite a much difference. So even we see more volumes of a new product terminal to their market, but convert to the revenue, the revenue is smaller, but our users' numbers grow, as we disclosed, we overall have 10% more than 10% of the user number in terms of the MAU increasing compared with last year's. So we believe this will contribute to our future growth in terms of service next year for this growth of user spaces. Thank you.

Chaohui Chen: Yes. I have some more comments because the hardware, because of tax and I think the trading headwind, so the customer, I think, thinks more hyped about microeconomic and the decision will be the decision material will be longer than normal. Normally about thirty days now go to maybe two months. That's why it caused the delay, but the orders are coming. So that's first. And the second, hardware, I think it's because the high-value hardware, like 5G, our ship volume is delayed. That caused the impact of the total revenue number. But fortunately, we have more user numbers like for SIM, eSIM, and this live product, then we are generally even the hardware cost is lower. So it's smaller. But I think the contribution for the data will increase in the future because at month three and the year, they have to pay the same usage for the data.

Vivian Zhang: Okay. Got it. Thank you. That makes sense. And my last question is that the Mainland China revenue from Mainland China has grown a lot and become the largest market. So what are the main drivers behind that?

Yimeng Shi: Yes. As we disclosed, in the uCloudlink 1.0 revenue in the International Data Connectivity Service, it is increasing over this year. The main driver is from the Chinese outbound traveler

contributing to using our roaming brand in service. So that's the main driver for our uCloudlink 1.0 business growth this year. So since the pandemic COVID-19, the Chinese outbound travel business is in recovery over the past couple of years. So our revenue related to this part is on the recovery trend. So we believe this growth from this traveling sector is on the growth track in the future as well.

Chaohui Chen: Comment. So about Chinese revenue increase, there are three reasons. The first is our 5G market share is higher, and 5G, our revenue including the total revenue in China, our percentage is much higher than last year. That means our 5G quality and leadership were recognized by the users. So here, because in China, 5G is more popular. Once the people use the 5G, they do not want to use the 4G. And we are the leading. We cover 91 countries, and it's far more advanced than the other carrier, and speed side also is far more fast. And the coverage is much better. So that's the much here for 5G, we are higher growth faster the first. Second, we have more products available in China. We are first to launch our traditional 5G. We are in the leading to get more market share and more good technology for 5G. But we have more products like live and like our SIM card and our eSIM Trio. This new product, so we can cover more business. In the history, we have not entered this park. Like for the roaming market, we only occupy the WiFi. Currently, we have using, we have 80% of the new market we never touched before. So we believe in the future, I think our market share in China will keep increasing. And our SIM card and eSIM Trio, we have gained more share in one person or two persons in the outbound travel market. And finally, I think the last point is about in China, I think we should be more mature and have more revenue in quarter three if without, I think, I want the total, I think, Chinese people travel outside in the summer, stay up from like in Japan, like us earthquake rumor and also like some unstable economic situation. So, you know, they are still in the September, still in the July and June, is the most difficult period. I know the trade war with the U.S. All this impact. So I think once this economic situation becomes more stable, I think we will get more market share in this part.

Vivian Zhang: Okay. That answered my last question. I want to ask about the trade tensions that appear to have eased recently. So what other, like, potential impacts do you anticipate on the market and the company? Is it likely to contribute to a recovery in sales?

Yimeng Shi: Yeah. If you look at this trade war, I think it will, I believe there is some limited impact on our business. Especially for our new business, say, Petfone and new launch. We will have a new launch in the U.S. market cooperation with a leading pet online retailer. The land is we know is a big land, Chewy. So our new product solutions have entered into the U.S. big channel. Say, Walmart. Walmart, and other famous channels as well. So when more and more Tier 1 channels have our product on the shelf, I believe the U.S. market shares we sold more for that into the U.S. market. And the U.S. market's revenue contribution will gain and grow in the future. And thus, we believe the U.S. market will grow in the future.

Chaohui Chen: Yes. So yes, more on the comment about these questions. The first, our traditional mobile broadband business. So I think we can see it is tougher from the microeconomic and also the trade war. But I think now that it is stable and we see the customer now is, I think, our customer in Japan, in China. So for the mobile broadband business, now the order is coming in the fourth quarter. So we can see now the best period is over. From the current situation, we believe it will go better. That's from our traditional mobile business. For the new business, it's going very well. So with most of our new product launch in Q3, for example, our Petfone launched in September. And our G40, our account warranty-wise account as in the market scenario market purpose and market scenario device also the new function we launched also end of the third quarter. So majorly, in the third quarter, new product, new solution launched in this quarter. So I think the feedback and from the end user and from the channel is quite positive as our mentioned, it is culture in the information. So we get that big order for Petfone. So the fourth order is 40,000. It's 40,000 units. So it's much bigger than our expectation. So that's the first. Our SIM card gets feedback from the end users. Quite very positive. I just mentioned we about 10,000 pilot. We get a very good feedback for the quality and the convenience. And in technology with Plu, we are in a leading position. This is innovation super thing for the people for a permanent second scene. We prove this concept. And also, we get a very positive operation data. Now resistor rate is about 75 and active rate is about more than 30%. That means these very high percentage of the user in our we increase in our future DAT MAU we are adding more value to our business. So I think also IoT, you can see we have faster growth. Even the smaller LaFoundation is smaller, but every

month, we have more than 30% increase. Every month, if not less. So it's now for the CarPlay market and the camera market. So we almost cover all the bigger tier one player. So we believe we will get more, you know, fast growth in the coming months. So I think most of the platform for a SIM and for the, you know, our live product and IoT or these new three new product lines get a very good potential. So I believe in the coming quarter, we will get a better revenue than Q3 and Q2. And this year, we believe the once we because we have an investment in the marketing and R&D.; We spend that's why you can see this year compared with last year. We spent more than CNY 3,000,000 more than last year. In marketing campaign. And R&D.; And this will generate, I think, good increase in the future.

Vivian Zhang: Okay. I see. Okay. Thank you for the detailed information. That's all my questions.

Yimeng Shi: Okay. Thank you.

Operator: We have the next question from the line of Theodore O'Neill from Litchfield Hills Research. Please go ahead.

Theodore O'Neill: Thank you. Thank you very much. I just want to follow up on the Petfone. The 40,000 unit order, is that going to the U.S.?

Yimeng Shi: No. As we disclosed in the PR, among sales, 11 Middle East Tier 1 channel ordered 30,000 units of Petfone into the Middle East market. That's account for 70% of the 40,000 units. Yes, the remaining is also to the U.S. market. But I believe more Petfones units will be sold to the U.S. market when we co-launch a campaign with Chewy's and Walmart, these Tier 1 channels, in the near future.

Chaohui Chen: Yes. We believe that is the biggest, you know, pet market. And we also believe that I think, we I think we've breached the digital gap between the people and the pets. This concept, I think, is far more than just a tracker, just CCTV, just a single to monitor and manage the pet. We provide a mutual. But the problems we need to, think more education for this opportunity like iPhone many years ago. We believe iPhones changed the mobile Internet in the world. And then now people to convince people and let people know that dog and pet can use the, you know, the phone and the social like a people. So and we we will we are very confident about that, but we need to get more campaign and more marketing spending in the U.S. and the rest of the world. That's why we would try to separate these businesses to try to continue because the initial data for the just one more than one month get this about 40,000 order I think 30 is coming from the Middle East and another 10,000 come from the U.S. All these data, I think, give us confidence. We want to more and have it invest in R&D; side and also in marketing campaign in the U.S. and worldwide.

Theodore O'Neill: Thank you.

Yimeng Shi: Thank you.

Theodore O'Neill: My next question is about the in-car infotainment system. It's in your press release. You say you've secured orders for that. Was wondering if you could give us any more detail on those orders and what the future might hold for your business there.

Yimeng Shi: Yes. So in-car infotainment, so majorly I think for traditional as an oil car this in-car infotainment majorly it comes from the Chinese provider. We almost cover all these providers. That means their new generation all use our solution. We already integrated our solution into these providers. They majorly provide in the North American, Latin American, and also the Middle East and the Europe market. So I think we almost cover all the providers from the number one, number two, almost number 17. So we already finished that initial presence. And in back with them, we can see the fast growth for in-car for like a CarPlay, like the in-car infotainment. I think this will give us a huge increase in future revenue in the future.

Theodore O'Neill: Thank you very much.

Yimeng Shi: Thank you.

Operator: This concludes our question and answer session. I would now like to turn the conference back to Daniel Gao for any closing remarks.

Daniel Gao: 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 speak to our Investor Relations firm, Christensen Advisory. We look forward to speaking with you all again on our next quarterly call. Thank you.

Operator: Thank you. The conference has now concluded. Thank you for attending the presentation.

You may now disconnect.

Chaohui Chen: Thank you. Thank you. Bye-bye.