

# Zacks Small-Cap Research

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## uCloudlink Group (UCL-NASDAQ)

### uCloudlink: INITIATION A Reopening Play on the Business Traveler While Investing in Ubiquitous Mobile Data Connectivity

Based on an industry average EV to sales of 14.6xs 2021 revenues, we believe UCL stock could be worth \$26.60 per share if it achieves forecasts.

Current ADS Price (05/07/21) \$10.70  
Valuation **\$26.60**

### OUTLOOK

uCloudlink is the world's first and leading mobile data traffic sharing marketplace. It is a high-tech SaaS platform provider in the mobile data connectivity market. It focuses on establishing stable, reliable, safe and efficient network connections for partners, operators, and users. It continues to expand its ecosystem with mobile network operators (MNOs), mobile virtual network operators (MVNOs) and business partners globally. It provides high quality, ubiquitous data connectivity both in local markets as well as to travellers to other countries so that end users can get connected wherever they go with superior coverage and quality. It also can improve service for mobile data providers by supplementing their abilities. The company expects to grow in 2021 even without the return of international travel and when that returns, growth should accelerate.

### SUMMARY DATA

52-Week High \$17.99  
52-Week Low \$9.00  
One-Year Return (%) N/A  
Beta N/A  
Average Daily Volume (sh) 13,803

Shares Outstanding (mil) 28.2  
Market Capitalization (\$mil) \$301  
Short Interest Ratio (days) N/A  
Institutional Ownership (%) 0  
Insider Ownership (%) 85

Annual Cash Dividend \$0.00  
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates  
Sales (%) N/A  
Earnings Per Share (%) N/A  
Dividend (%) N/A

P/E using TTM EPS N/A  
P/E using 2021 Estimate N/A  
P/E using 2022 Estimate N/A

Risk Level High  
Type of Stock Small-Growth  
Industry Business Info

### ZACKS ESTIMATES

#### Revenue

(in millions of Euros)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2019	24.7 A	35.9 A	44.1 A	53.7 A	158.4 A
2020	33.5 A	21.0 A	18.0 A	17.0 A	89.6 A
2021	17.3 E	18.6 E	33.0 E	40.0 E	108.8 E
2022					136.8 E

#### GAAP Earnings Per ADS

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2019	-\$0.07 A	-\$0.02 A	\$0.13 A	\$0.05 A	-\$0.10 A
2020	-\$0.02 A	-\$1.73 A	-\$0.34 A	-\$0.44 A	-\$2.49 A
2021	-\$0.28 E	-\$0.27 E	-\$0.16 E	-\$0.06 E	-\$0.72 E
2022					-\$0.10 E

Zacks Projected EPS Growth Rate - Next 5 Years % **20**

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## KEY POINTS

- uCloudlink considers itself a marketplace that provides mobile data to businesses and consumers worldwide. It generates revenues from the sale of data connectivity services provided by mobile operators (52% of revenues) with the remainder from selling associated hardware--primarily mobile hotspots. 12% of its services revenue comes from its B2B SaaS offerings. Over half of its revenues now come from Japan for service within the country. It continues to expand business opportunities globally such as the United States, Europe and Asia, etc.
- For international travelers uCloudlink provides a competitive and easy solution to connecting in a different country. Rather than buying SIM cards or paying expensive prices to a home carrier to roam internationally, uCloudlink provides a low cost cloud based solution. UCL international data connectivity services revenues were mostly devastated in 2020 due the shut down of international travel. The demand of UCL local data connectivity services kept steady. During that time the company pursued its local mobile business particularly in Japan. Once the international traveler returns, revenue from that side of the business should come roaring back.
- While businesses and consumers can get data service from a fixed broadband provider or their phone carrier, their coverage and/or contract terms may not be as good or reliable that provided by uCloudlink. Customers can buy service directly from uCloudlink that lets them stay connected wherever they go and mobile providers can white label and resell, or just use uCloudlink's capabilities in lieu of roaming agreements with other carriers in order to improve their service coverage and quality and reduce churn.
- uCloudlink has given guidance that it expects to reach between \$107 million and \$130 million in revenues which would be growth between 20 and 45% if international travel will be effectively recovered compared with Pre Covid-19 pandemic in 2019. The company expects to grow in Japan, the United States, China, South East Asia, etc. For example, in the US market, the company optimized websites to enhance its GlocalMe brand e-commerce efforts as a part of our global expansion strategy. It also hopes to capture additional business with MNOs seeking to improve network coverage and elevating user experience. Other opportunities include network management for remote working and education and new 5G applications. Its technology, which reduces network crossing time to milliseconds, is particularly needed in 5G and edge computing including Internet of vehicles, autonomous driving, AR and VR, and cargos and logistics. It is uniquely positioned for applications that cross borders.
- It trades at an enterprise value to 2021 estimated sales of 2.8xs versus comparable companies that trade at 14.6 times. When the company returns to year over year growth we believe this valuation differential could dissipate.

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## OVERVIEW

uCloudlink was founded in 2014 in Mainland China, incorporated in the Cayman Islands, and is headquartered in Hong Kong. It had 578 employees as of December 31, 2020. It makes money through the huge arbitrage between various data providers' pricing. It drives sales through both cost savings for the customer and ease of use as customers no longer need to: carry more than one phone, swap SIM cards in each country to switch carriers, commit to long term contracts, or suffer bad connectivity such as less coverage, low data connectivity speed, etc. Through its WIFI hotspots and uCloudlink-enabled mobile phones it connects customers reliably and seamlessly wherever they go. It sells both to end-users and to mobile data providers that can supplement their networks with uCloudlink's capabilities. Through this arrangement the provider gives its customers wider, better and more reliable service reducing its churn.

The key to uCloudlink's service is the use of cloud-based SIM cards. What this means is rather than a physical SIM card in a phone or device to connect and provide service from a particular carrier, the company feeds service to users with capacity uCloudlink has purchased from a variety of providers. Rather than complicated roaming agreements with carriers, it simply buys SIM cards locally and puts them in a cloud "bank." This cloud-based inventory allows it to provide better quality and more reliable connections. It does this by what it calls "hyper-connectivity." First it evaluates the connection quality of various networks, then it selects and optimizes connections based on cloud SIM technology and finally it optimizes and accelerates the application routing. Using its SaaS/PaaS services it can provide what it calls a "Navigation + Electronic Toll Pass" service. Comparing it to traffic, "Navigation" can automatically identify congestion and actively choose the better network, and "Electronic Toll Pass" allows users to avoid long lines in network when switching among mobile networks.

uCloudlink achieved the initial stage of hyper-connectivity technology during 2020 and will further develop it to various application scenarios such as mobile broadband (MBB) and fixed broadband (FBB), industrial automation, autonomous driving, AR/VR, internet of vehicles, cargo transportation and logistics and cloud computing, which would be the accelerator of 5G Cloud application. uCloudlink will also release hyper-connectivity related products and services in the near future.

## Product Overview

**uCloudlink 1.0** is comprised of the company's mobile data connectivity solutions for international travelers. Its data packages are offered from a cloud-based SIM card pool from more than 200 mobile network operators in over 140 countries and regions across six continents. It consists of two brands that we expect to be combined in Q2 to be offered under the GlocalMe brand to streamline marketing:

- Roamingman -- a WIFI hotspot **rental** solution that is available in China and Malaysia and targets primarily Chinese nationals travelling abroad. Customers can pre-book for pick-up or delivery with 7x24 customer service in Chinese or English through e-commerce distribution channels, WeChat, Facebook, and phone. Users pay \$7.99 or \$9.99 per day for unlimited usage depending on geographic region.
- GlocalMe – a WIFI hotspot **purchase** solution that can be used with a variety of add-on data packages. Packages are available based on daily, monthly, or annual usage as well as by quantity of data.

In addition to these two consumer-facing brands, uCloudlink's business partners who use its PaaS and SaaS platform, can resell the service either with uCloudlink's branding or white label through their own brand.

## New GlocalMe Wi-Fi Devices

In April, after it was no longer enjoined from selling in the US, GlocalMe introduced a new suite of portable Wi-Fi devices. In the US they can be purchased on the GlocalMe website as well as on Amazon. They are as follows:



**FirstG** (\$59.99) An entry-level solution is an unlocked mobile hotspot for users with their own SIM card. It has 14 hours of battery life and can share with up to eight smart Wi-Fi devices via USB tethering. Its key add-on function, data saver mode, is available through its web portal and enables real-time data management.

Source: uCloudlink



**TriForce** (\$139.99) The ruggedized TriForce is designed with anti-slip and shockproof casing. It uses Cloud SIM technology, 28 hours of battery life, three universal charging ports, and can be shared with up to 10 devices.

Source: uCloudlink



**DuoTurbo** (\$169.99) also uses has Cloud SIM technology and can be shared with up to 10 devices, but it has dual modems, a touch screen display, and added security by allowing users to monitor which devices are connected to its network so users can remove unwanted or unknown connections.

Source: uCloudlink

Its two other devices are the U3 (\$119.99) and the G4 Pro (\$169.99.) All of GlocalMe devices come with 8GB of US and 1GB of global data free.

Examples of pricing for add-on data packages that can be used with GlocalMe devices are:

<p>10GB 30-Day Package for United States</p> <p>10GB</p> <p>USD 36.00</p>	<p>Buy 12GB, get 12GB Package for United States</p> <p>24GB</p> <p>USD 59.99</p>	<p>2GB 1-Day Package for North America</p> <p>2GB</p> <p>USD 6.99</p>	<p>3GB 30-Day Package for Europe</p> <p>3GB</p> <p>USD 30.00</p>
<p>3GB 30-Day Package for North America</p> <p>3GB</p> <p>USD 27.50</p>	<p>3GB 30-Day Package for Japan</p> <p>3GB</p> <p>USD 10.00</p>	<p>12GB 365-Day Package for Japan, Korea</p> <p>12GB</p> <p>USD 34.50</p>	<p>10GB 180-Day Package for Global BIZ</p> <p>10GB</p> <p>USD 98.00</p>

Source: uCloudlink

## uCloudlink 2.0

**uCloudlink 2.0** is a solution targeted to users within a single country. It provides mobile data connectivity across different MNOs in a single country using the same WIFI hotspot devices as GlocalMe or a uCloudlink enabled phone such as GlocalMe Inside (GMI) embedding in mobile phone handsets. It has had great successful in Japan where most of the uCloudlink 2.0 revenues come from. This service makes it easier to work from home or any location. In Japan Internet connections are often spotty and a geographic region may be well served by certain carriers and not by others. GlocalMe searches for the strongest, fastest signals and delivers the best solution to the user by seamlessly switching among providers as needed. A salient feature for the service is also that users are not locked into long term contracts as they would be by signing on with a mobile carrier or land-based Internet provider. This is increasingly important in a world where people change residences and places to work more frequently than the multi-year contracts require.

Last July uCloudlink started a trial with NTT Group for a mobile broadband service "DoRACOON" which uses Jetfon Smart-Fi devices provided by MAYA Net Solution and uCloudlink's cloud SIM service. This solution is particularly helpful to fill in coverage where it is difficult to lay optic fiber. The service is now available to

consumers and pricing is 3,000 yen for registration and a choice of three plans ranging from 500-4,500 yen per month.

*GlocalMe Inside* is a mobile data service jointly provided by uCloudlink and third-party partners. Users can purchase data services through the GlocalMe App or business partners' branding APP powered by UCL. GlocalMe Inside (GMI) and necessary software codes onto a mobile phone, and then purchase data service through the app. GMI service is not a substitute for the existing service of mobile operators, but an add-on, to improve network coverage or capacity. GlocalMe Inside services can be used in existing mobile models with supporting chipsets and embedding GlocalMe Inside (GMI) by updating its firmware. uCloudlink is also working to get mobile phone brands to pre-install GlocalMe Inside.

## PaaS and SaaS Platforms

UCloudlink also offers MNOs, MVNOs, portable Wi-Fi rental companies, and smartphone and smart-hardware companies its cloud SIM technology through Software as a Service (SaaS) or Platform as a Service (PaaS.)

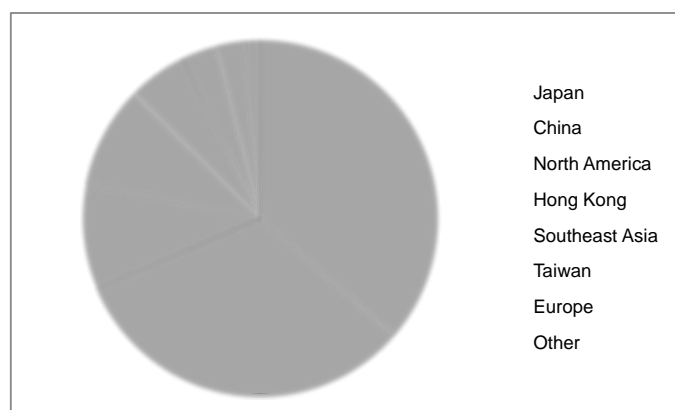
The SaaS offering is a full turnkey solution for customers that do not have their own business operations software. It provides full business software solutions such as: customer management and billing, sales and purchase of data packages, data package design, traffic supply and demand analysis, and multiple payment methods. uCloudlink can also provide a dashboard with insights to boost the customer's operational efficiency through advanced algorithms. It also has a distributed SIM card pool that includes distributed SIM banks that may be used by customers locally to maintain and manage their SIM cards, and which is dispatched through uCloudlink's cloud SIM platform.

The PaaS is for customers that do have their own business operations software. The platform is used to dynamically choose best the performing local network for the customer and has add-on modules for customer relationship management (CRM), operations support system, business support system, and SIM card enterprise resource planning and management as needed. It includes APIs to allow enterprise customers to integrate with their existing systems.

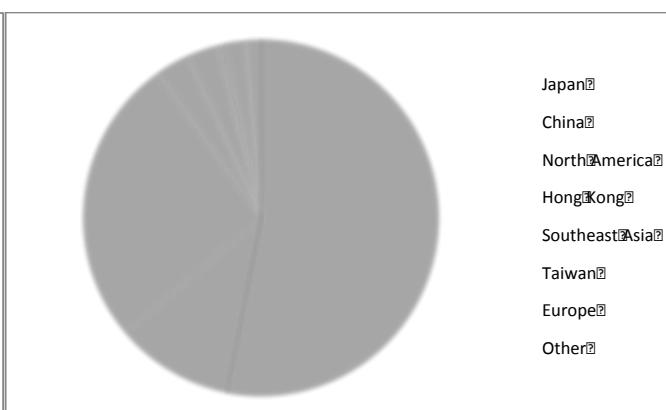
PaaS and SaaS are paid by service fees, which include revenue derived from SIM card performance improvement, SIM card hosting fees, software license fees, and data pool exchange service fees. Customers are also charged based on the number of SIM cards hosted in the distributed SIM card pool.

As shown on the pie charts below, the percent of revenue generated by each country has shifted greatly during the pandemic as travel was restricted and revenues moved to those generated by intra-country connections. Japan grew to 53% of total revenues despite declining. Surprisingly, North America grew revenues 54% and ended up 26% of total revenues in 2020.

**Figure: Geographic Breakdown 2019**



**Figure: Geographic Breakdown 2020**



## Future Growth

uCloudlink is looking to capture additional business opportunities, such as MNOs' mobile broadband, improving network coverage for carriers and also elevating user experience. In addition, it is targeting opportunities related to network management, such as remote working and education and 5G opportunities for products and services. Its cloud SIM technology, such as smart multi-network reselection technology, which reduces network crossing time to milliseconds, is an accelerator of 5G cloud application and already for commercial use. Its technology is highly compatible with various application scenarios where high-quality connection is necessary, for example, internet of vehicles, autonomous driving, AR and VR, cargos and logistics and cloud computing. With "hyper-connectivity," uCloudlink would improve the user experience by optimization of all layers including access, routing, and application layers. All of these opportunities will further expand its PaaS and SaaS ecosystem.

One vertical the company has been pursuing and we expect it to have success in this year is education. It has a number of deals in the works to provide schools with tablet and service as a turnkey solution for students. Expect the company to show some revenues in the latter half of 2021 from this effort in Japan in particular.

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## MARKET DATA

According to Frost & Sullivan, the market size of international roaming service was US\$23.3 billion in 2018 and is expected to reach \$34.8 billion in 2023. In 2018, Roamingman was the largest portable Wi-Fi service provider for international roaming for Chinese outbound travelers with a 41.0% market share.

The size of the local mobile data connectivity services is massive, with revenue from local data connectivity services believed to have been \$820 billion in 2018. It dwarfs the international roaming market. It is expected to grow further at a CAGR of 7.0% to \$1.1 billion by 2023. Like in the international roaming market, there are significant differences in price per GB across different local data packages and local MNOs opens up a massive opportunity for exploiters of arbitrage.

The M2M IoT market could be another major driver for the local data usage as we approach 5G, where entirely new applications will be possible. According to Frost & Sullivan, the global IoT market is expected to grow from approximately \$1.4 trillion in 2018 to \$2.8 trillion by 2023, representing a CAGR of 14.3%.

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## COMPETITORS

uCloudlink creates unique value for, and collaborates with, MNOs and MVNOs, who are important participants on its mobile data traffic-sharing marketplace. uCloudlink's cloud SIM technology, backed by its PaaS and SaaS platform, is its core competitiveness in data connectivity market, supporting physical SIM, eSIM, and soft SIM technologies. It faces potential competition from other companies with such technologies in data connectivity services. UCL believes that it provides the only alternative solution that is cloud based.

For international service when traveling, people have only four choices:

1. Use whatever roaming service their home carrier provides. uCloudlink is often the service or platform provider for service outside a local carrier's range.



2. Purchase a SIM card to use in that country from a local carrier.
3. Purchase or rent a WIFI device to use with their phone or computer. uCloudlink also powers many of these consumer-facing services. For example at the Tokyo airport, one could rent a device with service from Telecom Square who sells under the Wi-Ho brand. It provides Japan- and overseas-based mobile phones, SIM cards, and data communications equipment rental but does so as a customer of the uCloudlink platform.
4. Remain unconnected or rely of public free WIFI

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## LITIGATION

As of December 31, 2020, uCloudlink owned 74 patents relating to the cloud SIM technology in China, Japan, the United States, and other countries, and had 79 pending patent applications. These patents cover its key technologies, including cloud SIM architecture and supporting terminals, design patents, hardware antenna and hardware configuration.

Litigation against SIMO and its related entities has been an issue since 2018 and has cost a considerable amount in litigation expense. Given uCloudlink's recent win in SDNY, we are hopeful the battles could soon end through negotiation although there is no settlement negotiation now.

uCloudlink recently won a patent infringement lawsuit brought by SIMO in June 2018 in SDNY on appeal. While the lower court ruled in favor of SIMO and awarded damages, it was overturned and the monies put in escrow were returned to uCloudlink on March 29, 2021. In addition the injunction that was placed on uCloudlink on September 1, 2019 to stop it from selling, offering to sell, importing, or enabling the use of three models of portable Wi-Fi terminals and one model of GlocalMe World Phone was lifted on April 8, 2021 and since then the company has return to selling product in the US with its original design. Other lawsuits with SIMO continue, but settlements could be reached given this April decision in SDNY.

In an attempt at trying again in a different, more patent holder friendly venue, SIMO Holdings, Inc., Skyroam, Inc., and Shenzhen Skyroam Technology Co., Ltd. filed a lawsuit for patent infringement and trade secret misappropriation in the United States District Court for the Eastern District of Texas. Those allegations of trade secret misappropriation were previously dismissed from a case in patent savvy California with prejudice. uCloudlink tried to have the patent infringement part of the case transferred the SDNY, and the trade secret part to the Northern District of California. However on November 24, 2020, EDTX denied both motions. Following uCloudlink's success in the case in New York, **the plaintiffs dropped their patent infringement claim** in EDTX on April 6, 2021.

In addition, in 2019 and 2020, Shenzhen Skyroam Technology Co., Ltd. filed five invalidation petitions against uCloudlink's patents No. 011.8, No. 209.9, No. 366.4, No. 352.6 and No. 323.5 in Patent Reexamination Board of National Intellectual Property Administration in PRC, respectively. The National Intellectual Property Administration issued orders, which invalidated patent No. 366.4. and No. 352.6. uCloudlink filed lawsuits at the Beijing Intellectual Property Court to challenge the invalidation decisions. With respect to the invalidation petition against patent No. 323.5, **the oral hearing was held in January 2021 and the final decision has not been issued.**

In June 2019, Shenzhen Skyroam Technology Co., Ltd. filed two complaints in the Intermediate People's Court of Shenzhen against us: one alleging trade secret misappropriation claiming damages of approximately US\$14 million and cessation of misappropriation, and the other one relating to the ownership of Patent No. 011.8. In July 2019, Shenzhen Skyroam Technology Co., Ltd filed another complaint in the Intermediate People's Court of Shenzhen against us relating to the ownership of Patent No. 104.4.

In addition uCloudlink has filed suits. It has two lawsuits against Shenzhen Skyroam Technology Co., Ltd. one filed in 2019 and the other in 2020. The first one, in the Intermediate People's Court of Shenzhen, claims patent infringement on patent No. 209.9. The first hearing was held on January 28, 2021 and the company is waiting for the court's further notice. The second one, in the Intermediate People's Court of Shenzhen, claimed patent infringement on patent No. 352.6. The company has applied for withdrawal of the second litigation, and is awaiting the court's further notice.

Starting in September 2019, it filed seven invalidation petitions against patents owned by Shenzhen Sibowei'ersi Technology Co., Ltd. and Shenzhen Skyroam Technology Co., Ltd. individually or jointly in Patent Reexamination Board of National Intellectual Property Administration in PRC. The hearings for all invalidation petitions have been completed and five patents are determined to be valid, Patent No.342.0 and patent No.344.2 were determined to be partially invalid.

In April 2019, uCloudlink filed three administrative handling procedures against Shenzhen Weike Information Technology Co., Ltd., Shenzhen Weike Communication Equipment Co., Ltd. and Shenzhen Skyroam Technology Co., Ltd. for infringing patent No. 011.8 in Market Inspection Bureau of Shenzhen. All of the administrative handling procedures have been suspended due to the invalidation petition against patent No. 011.8, which was filed by Shenzhen Skyroam Technology Co., Ltd. in Patent Reexamination Board of National Intellectual Property Administration in PRC in April 2019.

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## FINANCIALS

### 2020 Year

For the year ending December 31, 2020, UCL generated \$90 million versus \$158 million in 2019, a decline of 43.4%. Gross margin was 31.6% versus 41.0% in 2019 as volumes plummeted. Operating expense increased to \$91.3 million from \$59.4 million a year ago. The biggest increase was in G&A that went up \$23 million due primarily to the \$50.6 million in stock-based compensation give out after the IPO. This is comparison to virtually no stock-based compensation in 2019. The company also had other income of \$7.6 million that came from fair value gains on other investments of \$4.9 million and government grants of \$2.3 million. The operating loss in 2020 was \$63.0 million compared to a profit of \$5.5 million in 2019. Taking out stock-based compensation, that loss would have been \$12.4 million. Net loss to ordinary shareholders was \$64.7 million versus a profit of \$2.4 million in 2019.

GAAP Loss per share was \$0.25 versus a profit of \$0.01 per share. On a non-GAAP basis, taking out charges and stock-based compensation, the loss was \$0.05 per share versus a gain of \$0.02 in 2019. In 2020 the share count increased 11.9% to 260.0 million primary shares.

### Balance Sheet

UCL ended 2020 with \$22 million in cash and \$8.2 million in restricted cash and \$3.7 million in debt. After the quarter ended, the restricted cash, which was in escrow due to a loss in a patent case, was released back to the company due to the overturn of the judgment on appeal. This makes its net cash \$26.5 million. Its working capital was \$31.4 million and its quick ratio 1.6 times.

On June 10, 2020 the company raised a net \$27.6 million in its IPO.

Afterward, it invested \$15 million in an investment fund, for which the underlying assets were mainly comprised of debt securities and equity securities. It is redeemable with one-month notice. Then it also invested \$17 million in another fund, for which the underlying assets were mainly comprised of unlisted bonds and subordinated debentures, for a period of 3 years. There was a fair value gain of \$4.2 million in the first fund for the year ended December 31, 2020 and a fair value gain of \$724,000 for the second. As of



December 31, 2020 it had \$37.0 million in these other investments, \$19.2 million current and \$17.8 non-current.

If needed the company can tap the \$19.2 million in the first fund giving it an available \$45.7 million as of the end of 2020. Its cash burn is now approximately \$1.7 million a month, but that should decline throughout the year as revenues ramp. At its current rate that gives it runway of over two years.

## **Subsequent Events**

### **U.S. Patent Infringement Case**

In 2018, SIMO sued Hong Kong uCloudlink Network Technology Limited and uCloudlink (America), Limited for infringing its U.S. Patent No. 9,736,689. The United States District Court for the SDNY found for SIMO and ordered uCloudlink Entities to pay damages amounting to US\$ 8,230,654. uCloudlink entities appealed the decision and placed an amount equal to the damages ordered by SDNY in escrow. On appeal the judgment was reversed and on March 29, 2021, the escrowed funds were fully refunded to uCloudlink Entities. On April 8, 2021, SDNY issued an order lifting the injunction against the products of uCloudlink Entities and now uCloudlink can once again sell Wi-Fi hotspot devices in the US with its original design.

In January 2021, uCloudlink acquired 31.25% of iQsim S.A., a provider of open virtual SIM platform and VSIM-enabled mobile devices based in France, for EUR200,000 (equivalent to US\$243,000).

## **FORECASTS**

### **Q1 2021**

In this March quarter, already over, we are looking for the company to report revenues sequentially up but down significantly year over year. The company has given guidance to expect Q1 revenues of between \$17 and \$17.5 million compared to \$33.5 million in Q1 2020. Expenses should decline to a lower normalized level versus Q4 2020.

### **2021**

The company has given guidance of revenues for 2021 of between \$107 million and \$130 million. Any return to international travel would allow revenues to be even higher. Revenues are expected to be heavily back end weighted and there should be some meaningful contribution from some large contracts that are expected to ship starting in Q3. The company expects to return to cash flow breakeven at revenues of approximately \$37 million, which could happen by Q4 2021. The breakeven point would be much lower if international travel returns as those revenues are at much higher gross margins. In its latest earning report, Delta stated that its domestic leisure travel volumes are back to 85% of 2019 levels while business travel at 20% of normal levels. Hilton Hotels believes business travel is back to about 50% of 2019 levels and that the US and China are at 75% being further ahead of reopening. Although international borders are slow to open, that will soon be coming. For 2021 revenues we are starting with \$108.8 million, or growth of 21.5% with an ADS loss per share of \$0.77.

### **2022**

In 2022, revenues should accelerate as international travel is back in full swing. We are conservatively estimating the company could reach \$137 million in revenues up 26% percent. If indeed travel is perfectly normal, uCloudlink should be able to reach or surpass its 2019 revenues of \$158 million and return to profitability. We are initially forecasting a loss of \$0.01 per ADS and will revise as world events unfold.

## VALUATION

Trading at only 2.8 times enterprise value to 2021 estimated sales, uCloudlink is priced well below its peers as shown below. On average SaaS companies are trading at 14.6 times EV/2021 Sales.

Using the industry comps and applying them to our 2021 revenue forecast of \$108.8 million for uCloudlink, we reach an enterprise and market value of \$1.6 billion. We have discounted the valuation by 50% based on the fact the company has reported declining revenues for the last three quarters and may continue to do so for at least the next two. Using the fully diluted share count of 30.3 million ADS using the treasury stock method, we get a price per share of \$26.60.

Company	Ticker	Calendar	Calendar	LTM	EBIDTA Margin	EV/Sales		LTM	Included in Average?	Enterprise Value
		Revenue 2022E	Revenue 2021E			2022E	2021E			
Cloopen Group Holding	RAAS	215	162	259	-106%	6.8	9.1	5.7	y	1,470
8x8 Inc.	EGHT	NA	592	509	-26%	NA	6.2	7.2	y	3,663
Five9	FIVN	650	551	478	4%	17.8	21.1	24.3	y	11,600
RingCentral Inc.	RNG	2,220	1,510	1,270	-4%	11.0	16.1	19.1	y	24,320
Roku	ROKU	3,760	2,720	2,030	9%	11.0	15.2	20.3	y	41,310
Slack	WORK	1,500	1,160	903	-28%	15.5	20.1	25.8	y	23,310
Twilio	TWLO	3,330	2,540	1,990	-19%	14.6	19.1	24.4	y	48,500
Vonage	VG	1,430	1,350	1,220	9%	2.7	2.8	3.1	y	3,800
Zoom	ZM	4,590	3,830	2,650	26%	18.0	21.6	31.2	y	82,800
<b>Average</b>					-15.0%	12.2	14.6	17.9		19,563

## RISKS

- Litigation at uCloudlink is ongoing and could cost the company unknown amounts should it lose in court or be enjoined from selling product. In addition, there maybe a significant amount to be spent on future litigation.
- Since the governments in countries and regions such as China and Japan have or will strengthen the enforcement of regulation over use of M2M cards and real-name registration for SIM card users, the development of its 2.0 business may be slowed down.
- The company is highly regulated in all its areas of operations and could be impacted by regulatory changes.
- The company has gotten two rectification orders in the PRC from the GCA on rules that require the users to provide their real identity information when signing agreements or confirmations on the provision of services stipulated under relevant laws and regulations which still have not gotten clearance.
- In January 2021, the Hong Kong Government proposed a Real-name Registration Programme for Subscriber Identity Module (SIM) Cards. As proposed, it will require users to provide the mobile operator or MVNO operator a copy of the identification documents of the users to purchase SIM cards, and restrict the SIM card user to a purchase of no more than three SIM cards from each telecommunications service provider. Telecommunications service provider would be required to check, clarify, and verify the information provided by users, and deregister the SIM cards concerned if there are reasonable grounds to believe that the information provided is false, misleading or incomplete. They will also have to store of the personal information of the registered

SIM card users. SIM cards, which are not registered within the necessary period, will become invalid. The consultation ended on March 20, 2021. The government is now reviewing comments submitted to consider any adjustments. This may significantly affect business operations in Hong Kong and increase administrative and compliance cost. In 2020 \$2.8 million of the company's revenues came from Hong Kong.

- Its two founders, Chaohui Chen and Zhiping Peng, who beneficially own all of the Class B ordinary shares, control the company. As of February 28, 2021, these Class B shares constituted approximately 43.1% of the total and 91.9% of the aggregate voting power.

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## MANAGEMENT

### **Chaohui Chen**

Chief Executive Officer

Mr. Chaohui Chen is the founder of uCloudlink and has served as a director and CEO since 2015. Before that, 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. He was also an R&D engineer in Guangdong Province Computer Co., Ltd from 1992 to 1994. Mr. Chen also serves as a director of Maya System, Inc., in which uCloudlink has an equity investment. Mr. Chen earned a BS in applied physics from National University of Defense Technology in China and an MS in nuclear electronics from China Institute of Atomic Energy.

### **Zhigang Du**

Chief Operating Officer

Mr. Zhigang Du has been chief operating officer and a director since 2014. Prior to joining us, Mr. Du served as VP in charge of operations at Hytera Communications Corporation Limited 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 East Africa Region, Director of Technical Service of China Region, and Deputy Director of Testing Department. Mr. Du was an environmental engineer and Project Manager at Lanzhou Coal Mining Design and Research Institute from 1988 to 1994. Mr. Du earned a BS in meteorology and an MBA from Lanzhou University in China.

### **Yimeng Shi**

Chief Financial Officer

Mr. Yimeng Shi has served as CFO since 2014. Previously, Mr. Shi worked at Huawei from 2005 to 2014, where he performed finance management in Huawei UK & Ireland, Huawei North Latin America. From 2004 to 2005, Mr. Shi served as Accountant at Nortel Communication Equipment Co., Ltd. in Guangdong. He also is a director of Maya System, Inc. 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 University of Massey in New Zealand.

### **Xinquan Xu**

Chief Sales Officer and President of Marketing and Sales

Mr. Xinquan Xu was promoted to Chief Sales Officer and President of Marketing and Sales in September 2020. Prior to that, Mr. Xu was Co-Chief Sales Officer. Prior to joining us in August 2020, from 2016 to 2020,

Mr. Xu held senior executive roles in several companies such as: LeEco, E-Commodities, China Railway Container and China Railway Express Ltd. From 2014 to 2016, Mr. Xu served as business group CEO responsible for JD.com, Inc.'s overseas operations. Prior to that, Mr. Xu worked at Huawei from 1996 to 2014, where he served various senior management roles in areas such as overseas sales and services, ecommerce and branding, strategic global marketing of consumer goods such as mobile phone products. Mr. Xu earned a BS in Electrical Engineering from Tsinghua University and an MS in Artificial Intelligence and Robotics from Bauman Moscow State Technical University. Mr. Xu received an honorary doctorate's degree in Telecom Economics from Moscow State Aviation Institute.

### **Wen Gao**

Chief Strategy Officer

Mr. Wen was promoted to Chief Strategy Officer from chief sales officer in September 2020. Prior to joining us, 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 software R&D engineer and manager in several technology companies in Shenzhen, China from 1995 to 2007. Mr. Gao earned a BS and MS 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

Mr. Shubao Pei has been 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 earned a BS in computer engineering and an MS in mechanical engineering, both from Xi'an Jiaotong University in China.

### **Zhihui Gong**

Chief Technology Officer

Mr. Zhihui Gong has been CTO since 2015. Prior to joining us, Mr. Gong worked at Shenzhen Liming Network Co., Ltd from 1997 to 2015, performing IT planning, architecture, top design of enterprise system and cloud service platform, software development management, company's technology management and planning. Mr. Gong has a doctorate from Huazhong University of Science and Technology in China.

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## **BOARD OF DIRECTORS**

### **Zhiping Peng**

Chairman

Mr. Zhiping Peng is the founder and has served as chairman of our board of directors since 2015. Prior to co-founding our 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 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 Leafuo Biotechnology Co., Ltd, a company that manufactures and sells healthcare products. Mr. Peng received his bachelor's degree in radio and automatic control and master's degree of automatic control from Fudan University in China.

**Chaohui Chen**  
Chief Executive Officer

**Zhigang Du**  
Chief Operating Officer

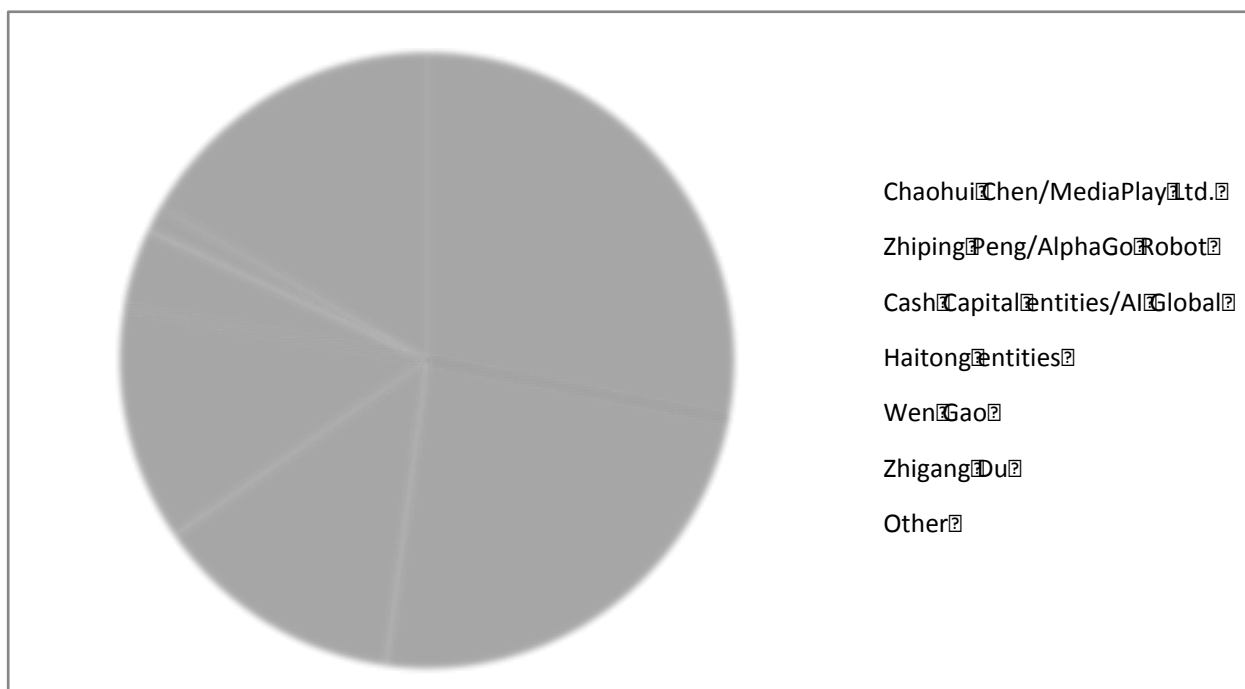
**Hope Ni**  
Independent Director

Ms. Ni has been a director since the company went public. Ms. Ni is an executive director of Cogobuy Group (HKEX: 0400) and a director of Digital China Holdings Ltd. (HKEX: 00861) and ATA Inc. (NASDAQ: ATAI). From 2004 to 2007, Ms. Ni was the chief financial officer and a director of Viewtran Group, Inc. (NASDAQ: VIEW). In 2008, Ms. Ni served as the vice chairman of Viewtran Group, Inc. Prior to that, Ms. Ni spent six years as a practicing attorney at Skadden, Arps, Slate, Meagher & Flom LLP in New York and Hong Kong. Earlier in her career, Ms. Ni worked at Merrill Lynch's investment banking division in New York. Ms. Ni received her J.D. degree from University of Pennsylvania Law School and her bachelor's degree in applied economics and business management from Cornell University.

**Onward Choi**  
Independent Director

Mr. Onward Choi has been a director since the company went public. He was the acting chief financial officer of NetEase, Inc. (NASDAQ: NTES), from July 2007 to June 2017. Mr. Choi currently also serves as a director of Tuniu Corporation (NASDAQ: TOUR), Beijing Jingkelong Company Limited (0814.HK) and Tongdao Liepin Group (6100.HK). Mr. Choi is a fellow member of the Association of Chartered Certified Accountants, CPA Australia, and the Hong Kong Institute of Certified Public Accountants. Mr. Choi received a BA in accounting with honors from the Hong Kong Polytechnic University.

## OWNERSHIP



Source: Zacks Investment Research

# INCOME STATEMENT

	Q1 2019 31-Mar	Q2 2019 30-Jun	Q3 2019 30-Sep	Q4 2019 31-Dec	Q1 2020 31-Mar	Q2 2020 30-Jun	Q3 2020 30-Sep	Q4 2020 31-Dec	Q1 2021E 31-Mar	Q2 2021E 30-Jun	Q3 2021E 30-Sep	Q4 2021E 31-Dec	2018	2019	2020	2021E	2022E
<b>Revenues from services</b>																	
Total data connectivity													82,543	80,537	39,956	31,696	
Int'l data connectivity													82,032	77,974	30,798	11,696	
Local data connectivity													511	2,563	9,158	20,000	
PaaS/SaaS													5,047	9,135	5,717	6,000	
Other													858	1,438	477	500	
<b>Total services</b>	<b>20,129</b>	<b>21,359</b>	<b>25,070</b>	<b>24,552</b>	<b>17,430</b>	<b>9,868</b>	<b>9,839</b>	<b>9,013</b>	<b>9,150</b>	<b>10,000</b>	<b>16,000</b>	<b>22,000</b>	<b>88,448</b>	<b>91,110</b>	<b>46,150</b>	<b>57,150</b>	<b>96,800</b>
Yr-to-yr Growth	NA	NA	NA	NA	-13%	-54%	-61%	-63%	-48%	1%	63%	144%	32%	3.0%	-49.3%	23.8%	69.4%
Services Gross Margin	11,111	12,448	15,825	16,332	8,972	3,468	3,605	3,713	3,660	4,100	6,720	9,900	42,374	55,716	19,758	24,380	46,464
Gross Margin %	55.2%	58.3%	63.1%	66.5%	51.5%	35.1%	36.6%	41.2%	40.0%	41.0%	42.0%	45.0%	47.9%	61.2%	42.8%	42.7%	48.0%
<b>Sales of Products</b>																	
Sales of terminals													25,595	54,880	32,597		
Sales of data related products													12,148	11,955	10,194		
Other													208	436	628		
<b>Total products</b>	<b>4,526</b>	<b>14,568</b>	<b>19,033</b>	<b>29,144</b>	<b>16,091</b>	<b>11,158</b>	<b>8,157</b>	<b>8,013</b>	<b>8,100</b>	<b>8,600</b>	<b>16,980</b>	<b>17,980</b>	<b>37,951</b>	<b>67,271</b>	<b>43,419</b>	<b>51,660</b>	<b>40,000</b>
Yr-to-yr Growth	NA	NA	NA	NA	256%	-23%	-57%	-73%	-50%	-23%	108%	124%	103%	77.3%	-35.5%	19.0%	-22.6%
Product Gross Margin	874	2,719	3,047	2,762	2,870	2,019	2,025	1,633	1,620	1,720	2,598	2,698	3,781	9,402	8,547	8,636	8,000
Gross Margin %	19%	19%	16%	9%	18%	18%	25%	20%	20%	20%	15%	15%	10.0%	14.0%	19.7%	16.7%	20.0%
<b>Revenue</b>	<b>\$24,655</b>	<b>\$35,927</b>	<b>\$44,103</b>	<b>\$53,696</b>	<b>\$33,521</b>	<b>\$21,026</b>	<b>\$17,996</b>	<b>\$17,026</b>	<b>\$17,250</b>	<b>\$18,600</b>	<b>\$32,980</b>	<b>\$39,980</b>	<b>\$126,399</b>	<b>\$158,381</b>	<b>\$89,569</b>	<b>\$108,810</b>	<b>\$136,800</b>
Yr-to-yr Growth	13%	-11%	35%	69%	36%	-41%	-59%	-68%	-49%	-12%	83%	135%	NA	25.3%	-43.4%	21.5%	25.7%
Cost of revenue	12,670	20,760	25,231	34,802	21,679	15,539	12,366	11,680	11,970	12,780	23,662	27,382	80,244	93,463	61,264	75,794	82,336
Gross profit	11,985	15,167	18,872	18,894	11,842	5,487	5,630	5,346	5,280	5,820	9,318	12,598	46,155	64,918	28,305	32,643	54,464
Gross Margin %	48.6%	42.2%	42.8%	35.2%	35.3%	26.1%	31.3%	31.4%	30.6%	31.3%	28.3%	31.5%	36.5%	41.0%	31.6%	30.0%	39.8%
R&D	4,064	3,955	3,626	3,463	3,016	13,544	4,766	5,033	3,200	3,200	3,300	3,300	20,401	15,108	26,359	13,000	13,200
Sales & Marketing	5,156	5,902	6,281	7,028	4,537	13,550	5,710	5,464	4,000	4,200	4,300	4,800	29,658	24,367	23,261	17,300	19,200
G&A	4,314	5,431	4,367	6,112	4,497	19,967	9,173	9,584	5,800	5,800	6,000	6,100	19,919	20,224	43,221	23,700	24,400
Other income	(712)	(337)	667	92	(599)	(54)	(4,439)	(2,462)	0	0	0	0	(658)	(290)	(7,554)	-	-
Total operating expenses	12,822	14,951	14,941	16,895	11,451	47,007	15,210	17,619	13,000	13,200	13,600	14,200	69,320	59,409	91,287	54,000	56,800
<b>Operating income:</b>	<b>(837)</b>	<b>216</b>	<b>3,931</b>	<b>2,199</b>	<b>391</b>	<b>(41,520)</b>	<b>(9,580)</b>	<b>(12,273)</b>	<b>(7,720)</b>	<b>(7,380)</b>	<b>(4,282)</b>	<b>(1,602)</b>	<b>(23,165)</b>	<b>5,509</b>	<b>(62,982)</b>	<b>(21,357)</b>	<b>(2,336)</b>
Operating margin	-3.4%	0.6%	8.9%	4.1%	1.2%	-197.5%	-53.2%	-72.1%	-44.8%	-39.7%	-13.0%	-4.0%	-18.3%	3.5%	-70.3%	-19.6%	-1.7%
<b>Other income:</b>																	
Interest income	9	150	10	24	11	15	8	3	15	15	15	15	435	193	37	60	60
Interest expense	(81)	(114)	(141)	(102)	(122)	(106)	(43)	(14)	(106)	(106)	(106)	(106)	(3,385)	(438)	(285)	(424)	(424)
Total other income	(72)	36	(131)	(78)	(111)	(91)	(35)	(11)	(91)	(91)	(91)	(91)	(2,950)	(245)	(248)	(364)	(364)
<b>Income before income taxes</b>	<b>(909)</b>	<b>252</b>	<b>3,800</b>	<b>2,121</b>	<b>280</b>	<b>(41,611)</b>	<b>(9,615)</b>	<b>(12,284)</b>	<b>(7,811)</b>	<b>(7,471)</b>	<b>(4,373)</b>	<b>(1,693)</b>	<b>(26,115)</b>	<b>5,264</b>	<b>(63,230)</b>	<b>(21,721)</b>	<b>(2,700)</b>
Pretax Margin	-3.7%	0.7%	8.6%	4.0%	0.8%	-197.9%	-53.4%	-72.1%	-45.3%	-40.2%	-13.3%	-4.2%	-20.7%	3.3%	-70.6%	-20.0%	-2.0%
<b>Income taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57</b>	<b>31</b>	<b>6</b>	<b>50</b>	<b>98</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>57</b>	<b>185</b>	<b>24</b>	<b>200</b>
Tax rate	0%	0%	0%	3%	11%	0%	-1%	-1%	0%	0%	0%	0%	0.0%	1.1%	0%	0%	-7%
<b>Net income</b>	<b>(909)</b>	<b>252</b>	<b>3,800</b>	<b>2,064</b>	<b>249</b>	<b>(41,617)</b>	<b>(9,665)</b>	<b>(12,382)</b>	<b>(7,817)</b>	<b>(7,477)</b>	<b>(4,379)</b>	<b>(1,699)</b>	<b>(26,557)</b>	<b>5,207</b>	<b>(63,415)</b>	<b>(21,745)</b>	<b>(2,900)</b>
Yr-over-Yr					-127%	-16615%	-354%	-700%	-3239%	-82%	-55%	-86%	38%	-120%	-1318%	-66%	-87%
Accretion of Series A-2 ordinary & Preferred	634	635	636	635	689	604	0	0	-	-	-	-	(2,209)	2,540	1,293	-	-
Income allocation to part. Preferred shareholders	0	0	137	159	0	0	0	0	0	0	0	0	-	296	-	-	-
<b>Net income to ordinary shareholders</b>	<b>(1,543)</b>	<b>(383)</b>	<b>3,027</b>	<b>1,270</b>	<b>(440)</b>	<b>(42,221)</b>	<b>(9,665)</b>	<b>(12,382)</b>	<b>(7,817)</b>	<b>(7,477)</b>	<b>(4,379)</b>	<b>(1,699)</b>	<b>(28,766)</b>	<b>2,371</b>	<b>(64,708)</b>	<b>(21,745)</b>	<b>(2,900)</b>
Currency translation adjustment	(555)	623	(528)	492	261	(413)	250	(1,233)	0	0	0	0	537	32	(1,135)	-	-
Comprehensive income	(1,464)	875	3,272	2,556	510	(42,030)	(9,415)	(13,615)	(7,817)	(7,477)	(4,379)	(1,699)	(26,020)	5,239	(64,550)	(21,745)	(2,900)
Stk based compensation	169	0	0	0	0	36,854	7,870	5,883	0	0	0	0	-	169	50,607	-	-
One-time expenses	0	0	0	0	0	996	(3,869)	(2,036)	0	0	0	0	-	-	(4,909)	-	-
Non-GAAP Income	(1,374)	(383)	3,027	1,270	(440)	(4,371)	(5,664)	(8,535)	(7,817)	(7,477)	(4,379)	(1,699)	(28,766)	2,540	(17,717)	(21,745)	(2,900)
Yr-over-Yr					-68%	1041%	-287%	-772%	1677%	71%	-23%	-80%	NA	-108.8%	-798%	23%	-87%
<b>Net income per share:</b>																	
Primary EPS	(0.01)	(0.00)	0.01	0.01	(0.00)	(0.17)	(0.03)	(0.04)	(0.03)	(0.03)	(0.02)	(0.01)	(0.16)	0.01	(0.25)	(0.08)	(0.01)
Diluted EPS	(0.01)	(0.00)	0.01	0.01	(0.00)	(0.17)	(0.03)	(0.04)	(0.03)	(0.02)	(0.01)	(0.01)	(0.16)	0.01	(0.25)	(0.08)	(0.01)
Diluted Non-GAAP EPS	(0.01)	(0.00)	0.01	0.01	(0.00)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.01)	(0.01)	(0.16)	0.02	(0.05)	(0.08)	(0.01)
					-68%	985%	-254%	-656%	1253%	36%	-29%	-82%		-113%	-350%	54%	-87%
<b>Shares (millions)</b>																	
Basic	230	231	232	233	232	243	282	282	283	283	283	283	185	232	260	283	300
Yr-over-Yr	NA	NA	NA	NA	1.2%	5.2%	21.1%	20.9%	21.7%	16.3%	0.5%	0.4%	NA	25%	12%	9%	6%
Diluted	230	231	232	233	232	243	282	282	305	305	305	305	185	232	260	283	300
Yr-over-Yr	NA	NA	NA	NA	1.2%	5.2%	21.1%	20.9%	31.3%	25.4%	8.4%	8.4%	NA	25%	12%	9%	6%
<b>Net income per ADS:</b>																	
Primary EPADS	(0.07)	(0.02)	0.13	0.05	(0.02)	(1.73)	(0.34)	(0.44)	(0.28)	(0.27)	(0.16)	(0.06)	(1.55)	0.10	(2.49)	(0.77)	(0.10)
Diluted EPADS	(0.07)	(0.02)	0.13	0.05	(0.02)	(1.73)	(0.34)	(0.44)	(0.28)	(0.27)	(0.16)	(0.06)	(1.55)	0.10	(2.49)	(0.72)	(0.10)
Diluted Non-GAAP EPADS	(0.06)	(0.02)	0.13	0.05	(0.02)	(0.18)	(0.20)	(0.30)	(0.28)	(0.27)	(0.16)	(0.06)	(1.55)	0.11	(0.68)	(0.72)	(0.10)
									1366%	48%	-23%	-80%					
<b>ADS (millions)</b>																	
Basic	23	23	23	23	23	24	28	28	28	28	28	28	18.5	23.2	26.0	28.3	30.0
Yr-over-Yr	NA	NA	NA	NA	1.2%	5.2%	21.1%	20.9%	21.2%	15.7%	0.0%	0.0%	18.5	-17.6%	-7.8%	8.9%	6.0%
Diluted	23	23	23	23	23	24	28	28	28	28	28	28	18.5	23.2	26.0	30.0	30.0
Yr-over-Yr	NA	NA	NA	NA	1.2%	5.2%	21.1%	20.9%	21.2%	15.7%	0.0%	0.0%		-17.6%	-7.8%	15.5%	0.0%
Adjusted EBITDA	166	1,200	4,600	2,900	1,011	(3,102)	(5,021)	(7,867)					(15,132)	8,915	(14,979)		



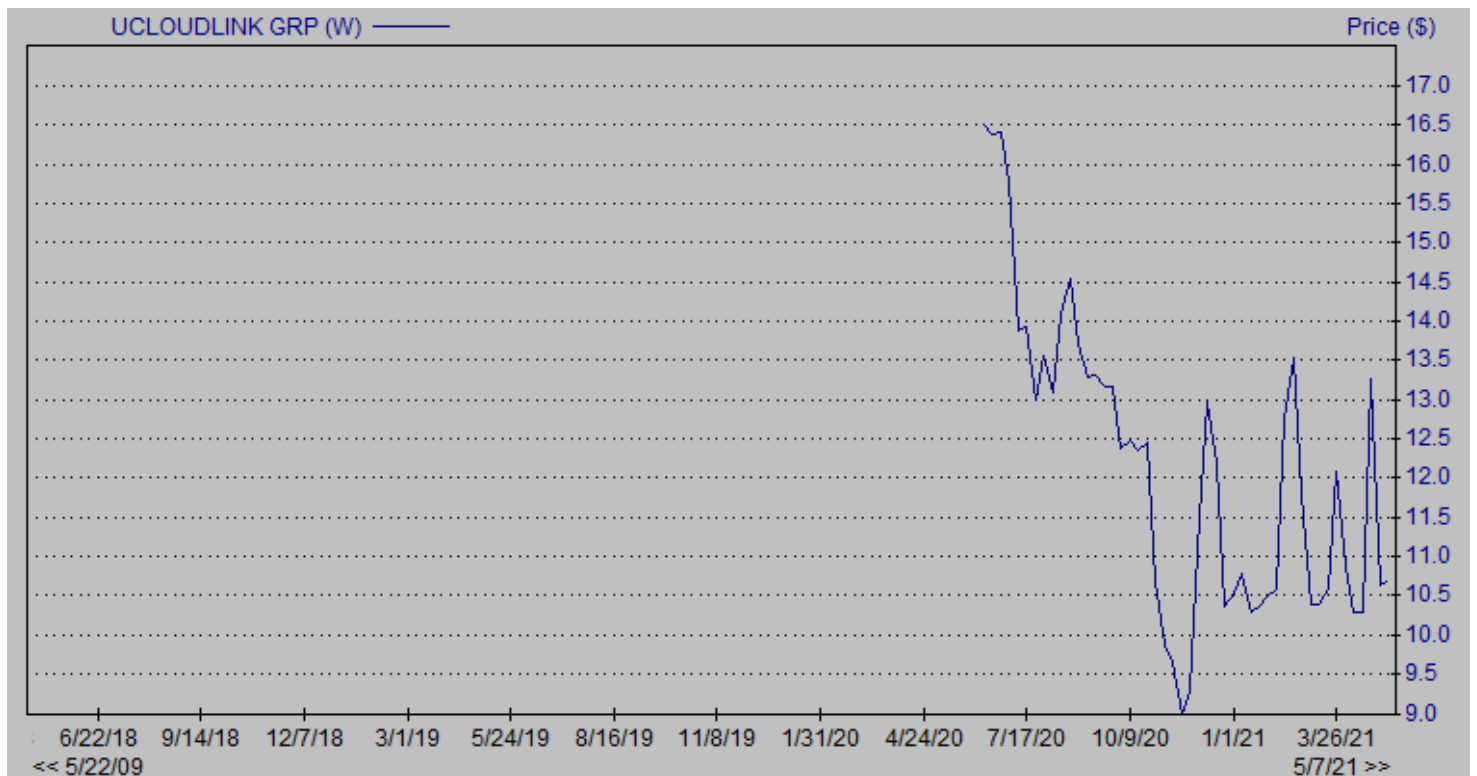
## BALANCE SHEET

	Dec. 31, 2020	Sept. 30, 2020	Qtr-Qtr % Growth	Dec. 31, 2019	Yr-Yr % Growth
<b>Current assets:</b>					
Cash and equivalents	\$ 21,989	\$ 24,330	-9.6%	\$ 37,320	-41.1%
Restricted cash	\$ 8,237	\$ 8,237	0.0%	\$ 2,954	178.8%
Short term deposit	\$ 196	\$ 196	0.0%	\$ 193	1.6%
Accounts receivable, net	6,745	9,942	-32.2%	25,767	-73.8%
Inventories	5,847	8,033	0.0%	10,518	-44.4%
Prepaid expenses & other curr assets	7,477	9,103	-17.9%	7,828	-4.5%
Other investments	19,185	17,496	9.7%	0	NA
Amount due from related parties	2,264	710	218.9%	692	227.2%
Total current assets	71,940	78,047	-7.8%	85,272	-15.6%
Prepayments	2,116	599	253.3%	0	NM
Long-term investment	1,306	1,251	NM	430	203.7%
Other investments	17,824	17,477	2.0%	0	NM
Property and equipment, net	3,029	3,401	-10.9%	3,793	-20.1%
Intangible assets, net	1,039	713	45.7%	602	72.6%
Total assets	97,254	101,488	-4.2%	90,097	7.9%
<b>Current liabilities:</b>					
Short term borrowings	3,704	763	385.5%	6,659	-44.4%
Accrued expenses and other liabilities	25,742	21,532	19.6%	21,319	20.7%
Accounts payable	8,701	11,906	-26.9%	16,728	-48.0%
Amount due to related party	1,503	1,553	-3.2%	1,022	47.1%
Contract liabilities	889	1,561	-43.0%	1,925	-53.8%
Total current liabilities	40,539	37,315	8.6%	47,653	-14.9%
Other non-current liability	321	335	-4.2%	0	NA
Total liabilities	40,860	37,650	8.5%	47,653	-14.3%
Series A redeemable convertible pref	0	0	0.0%	22,977	NA
<b>Stockholders' equity</b>					
Pre-IPO shares	0	0	0.0%	11	NA
Class A Common stock	8	8	0.0%	0	NA
Class B Common stock	6	6	0.0%	0	NA
Additional paid-in capital	220,292	214,121	2.9%	118,818	85.4%
Accumulated other comp income	(429)	804	-153.4%	706	-160.8%
Accumulated losses	(163,483)	(151,101)	8.2%	(100,068)	63.4%
Total stockholders' equity	56,394	63,838	-11.7%	19,467	189.7%
Total liabilities and stockholders' equity	97,254	101,488	-4.2%	90,097	7.9%
Current ratio	1.8	2.1	-15.2%	1.8	-0.8%
Quick ratio	1.6	1.9	-13.1%	1.6	3.9%
Working Capital	31,401	40,732	-22.9%	37,619	-16.5%
Net cash	26,522	31,804	-16.6%	33,615	-21.1%
Debt	3,704	763	385.5%	6,659	-44.4%
Debt/TA	4%	1%	406.6%	7%	-48.5%

## CASH FLOWS

	Year 2018	3 Mo Ended Mar 31, 2019	3 Mo Ended Jun 30, 2019	3 Mo Ended Sep 30, 2019	3 Mo Ended Dec 31, 2019	Year 2019	3 Mo Ended Mar 31, 2020	3 Mo Ended Jun 30, 2020	3 Mo Ended Sep 30, 2020	3 Mo Ended Dec 31, 2020	Year 2020
<b>Cash flows from operating activities:</b>											
Net income	(26,557)	(909)	252	2,121	280	5,207	249	(41,617)	(9,665)	(12,382)	(63,415)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>											
Provision for bad debt	114	(4)				175	254				2,794
Impairment for inventory obsolescence	772	607				528	529				636
Depreciation	5,227	805				2,954	588				2,174
Amortization	89	20				90	21				94
Gain on disposal of property & equipment	(542)	(113)				(353)	-				(375)
Loss on disposition of intangible assets	33					-	-				-
Interest expense	3,385	81				438	122				285
Share based compensation	2,282	169	-	-	-	169	-	36,854	7,870	5,883	50,607
Fair value gains on other investments						-	-		(4,909)		(4,909)
Share of loss in equity method investments	442					-	-		-		-
Foreign currency exchange (gains)/losses	543	33				607	30				182
<b>Change in operating assets and liabilities:</b>											
Accounts receivable	(3,061)	(249)				(9,311)	4,765				16,228
Prepaid expenses and other current assets	(2,317)	(1,357)				2,595	(3,273)				690
Inventories	(7,806)	(975)				974	632				4,036
Accrued expenses, AP and other liabilities	3,598	(2,004)				6,343	2,095				(9,273)
Amount due to related parties	2,970	-				(1,948)	212				481
Amounts due from related parties	-	8				(692)	414				(1,572)
Contract liabilities	1,356	2,030				(2,015)	56				(1,036)
Other non-current liabilities											335
Net cash used by operating activities	(19,472)	(1,858)	6,261	296	1,062	5,761	6,694	(2,773)	(433)	(5,526)	(2,038)
<b>Cash flows from Investing activities:</b>											
Purchase of property & equipment	(4,540)	(284)				(2,750)	(994)				(1,252)
Purchase of intangible assets	(607)	(3)				(84)	(24)				(482)
Proceeds from disposal of property & eqt.	1,020	(92)				190	-				230
Cash paid for equity investment	(442)	-				-	-				-
Cash paid for long term investment	-	-				(430)	-				(811)
Proceeds from disposal of short term invest.	-	-				-	-			-	-
Increase in short term deposit	-	(191)				(193)	(3)				(3)
Purchase of other investments	-					-	-				(33,126)
Net cash used in investing activities	(4,569)	(570)	(639)	(1,195)	(863)	(3,267)	(1,021)	(33,330)	(955)	(138)	(35,444)
<b>Cash flows from Financing activities:</b>											
Repurchase of Series A-1 shares	4,362	-	-	-	-	-	-	-	-	-	-
Repayment of other borrowing	(273)	(506)	-	-	-	(2,241)	(557)				(1,819)
Proceeds from bank borrowings	6,107	1,292	-	-	-	8,953	592				3,674
Repayments of bank borrowings	(5,775)	(1,121)	-	-	-	(5,184)	(284)				(5,074)
Net proceeds from IPO								-	-	29,904	29,904
<b>Net cash provided by financing activities</b>	<b>4,421</b>	<b>(335)</b>	<b>1,851</b>	<b>8</b>	<b>4</b>	<b>1,528</b>	<b>(249)</b>	<b>27,712</b>	<b>(3,570)</b>	<b>2,792</b>	<b>26,685</b>
Effect of exchange rate changes of cash	(559)	301	(256)	(641)	221	(375)	(248)	77	389	531	749
Net change - cash	(20,179)	(2,462)	7,217	(1,532)	424	3,647	5,176	(8,314)	(4,569)	(2,341)	(10,048)
Cash, beginning of quarter	56,806	36,627	34,165	41,382	39,850	36,627	40,274	45,450	37,136	32,567	40,274
Cash, end of period	36,627	34,165	41,382	39,850	40,274	40,274	45,450	37,136	32,567	30,226	30,226
<b>Cash Flow</b>	<b>(14,212)</b>	<b>689</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>9,815</b>	<b>1,793</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>(12,109)</b>
<b>Free cash flow</b>	<b>(18,339)</b>	<b>310</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>7,171</b>	<b>775</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>(46,739)</b>

## HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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