June 1, 2022

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

uCloudlink Group (UCL-NASDAQ)

uCloudlink Q1 Results Show Higher Margins and Declining Losses as Rightsizing Continues

Based on an industry average EV to sales of 4.5xs 2022 revenues, we believe UCL stock could be worth $5.88 per share if it achieves forecasts.

Current ADS Price (5/31/22)	$1.16
Valuation	**$5.88**

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 travelers 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 return to year over year revenue growth later this year.

SUMMARY DATA

52-Week High	**$11.65**
52-Week Low	**$0.80**
One-Year Return (%)	**-89.5**
Beta	**3.4**
Average Daily Volume (sh)	**19,892**
ADS Outstanding (mil)	**28.7**
Market Capitalization ($mil)	**$33**
Short Interest Ratio (days)	**0.2**
Institutional Ownership (%)	**0.4**
Insider Ownership (%)	**86**
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 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Communications**

ZACKS ESTIMATES

Revenue
(in millions of Euros)

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2020	33.5 A	21.0 A	18.0 A	17.0 A	89.6 A
2021	17.7 A	19.2 A	19.3 A	17.6 A	73.8 A
2022	15.6 A	17.0 E	20.7 E	27.9 E	81.0 E
2023					108.0 E

GAAP Earnings Per ADS

	Q1 (Mar)	**Q2** (Jun)	**Q3** (Sep)	**Q4** (Dec)	**Year** (Dec)
2020	-$0.02 A	-$1.73 A	-$0.34 A	$0.44 A	-$2.49 A
2021	-$0.54 A	-$0.29 A	-$0.25 A	-$0.54 A	-$1.62 A
2022	-$0.27 A	-$0.15E	-$0.14 E	-$0.07 E	-$0.58 E
2023					-$0.55 E

WHAT'S NEW

uCloudlink Q1 Results Show Higher Margins and Declining Losses as Rightsizing Continues

uCloudlink reported Q1 2022 had declining losses and improved margins despite year over year and sequential revenue declines. The company continues to improve it cost structure and the adjusted EBITDA losses have lessened each quarter since their peak in Q4 2020. Also, the gross margin for the company has not been this high since 2019 before the pandemic shut downs started. If the company continues on this path, and revenues improve sequentially, it should be able to reach EBITDA neutral by year end. The company gave Q2 2022 revenue guidance of $16.5 million to $17.5 million, in line with our forecast. This is sequentially up from $15.6 million in this Q1 period. Previously it guided to 2022 annual revenues of between $85 million to $100 million.

The company was affected by the current shutdowns in China which limited its access to products. It expects that as lockdowns abate, availability will return to normal in Q2 2022. It continues to have great success outside of China and Japan and enjoys having the 5G market almost to itself as it is the only choice for 5G products and services in some markets.

One issue that had overhung the company is its structure as a VIE, a structure that has come under scrutiny by the Chinese and US governments. uCloudlink eliminate that structure in March. It dissolved the VIE contracts and transferred assets into uCloudlink. This should remove one obstacle for investors that have avoided VIEs completely due to regulatory uncertainty. In addition, on May 9, 2022 uCloudlink announced that it has been provisionally identified by the SEC as a Commission-Identified Issuer under the HFCAA. The SEC determined that uCloudlink used a registered public accounting firm whose working paper cannot be inspected or investigated completely by the PCAOB to issue the audit opinion for its financial statements for the fiscal year ended December 31, 2021. On May 23, 2022, the company dismissed PricewaterhouseCoopers Zhong Tian LLP and engaged Audit Alliance LLP as the its independent registered public accounting firm. Audit Alliance LLP has been engaged to audit and report on the consolidated financial statements for the year ending December 31, 2022.

The stock has come down considerably and the company is now trading at an enterprise value of $33 million with expected revenues of $81 million to $100 million this year. Using our estimate of $80 million, that is only 0.4 times sales compared with peers that trade at 4.5 times.

Q1 2022 Earnings

For the quarter ending March 31, 2022, UCL revenues were $15.6 million, down 12% compared with the $17.0 million in Q1 2021.

Geographic Distribution

	Q1 2021	% of Sales	Q1 2022	% of Sales	Yr-Yr %
Japan	10,192	57.6%	6,276	40.2%	-38.4%
China	1,009	5.7%	609	3.9%	-39.6%
Other	6,494	36.7%	8,728	55.9%	34.4%
	17,694		15,613		-11.8%

Japanese revenues were down 38% year over year and China declined 40%. The rest of the world revenues grew 24% and now comprises 56% of revenues. As Japan reopens and returns to normal face-to-face business and schools, local connectivity is expected to continue to decline.

Total gross margin was 37.4% versus 31.4% in Q4 2020, the highest level since 2019.

Product sales declined 38% this quarter to $5.8 million versus $9.3 million in Q1 2021, and at lower margins than last year. Gross margin declined in this segment to 18% from 27% in Q1 2021, but was up sequentially from 13% in Q4 2020. The company was hit with both the inability to source product due to supply chain issues exacerbated by recent lockdowns in parts of China, as well as a rise in the cost of components. UCL expects that Q2 will be back to normal as China ends lockdowns where its products are manufactured.

Services revenues increased year over year to $9.8 million from $8.4 million (up 17%) and were up sequentially. All three categories of service increased year over year. International business was flattish while local revenues increased the most. The quarter's services gross margin was 49% compared to 36% in Q1 2021 and 46% in Q4 2021. Gross margins continue to increase as PaaS/SaaS with higher margins, becomes a larger percent of the total.

Operating expense decreased to $13.4 million from $20.9 million a year ago and $20.8 million in Q4 2021. G&A was virtually cut in half to $4.6 million from $10.9 million. In Q1 2021 the company had stock-based compensation of $5.5 million compared to only $700,000 this year. All the other categories also declined (which included this stock-based compensation) as the company continued to right size the business and reduce headcount except other expenses. Other expense increased $672,000 reflects the decline in the fair value of its investment portfolios of $2.9 million in the quarter versus last year's quarter when the loss was $2.5 million. Without stock-based comp, and investment losses, operating expenses would have been $3.9 million this year compared to $7.3 million last year.

The pretax loss was $7.9 million compared to a loss of $15.4 million in Q1 2021. Net loss to ordinary shareholders was $7.9 million versus a loss of $15.4 million in Q1 2021. On a non-GAAP basis, the loss would have been $4.3 million compared to $7.3 million last year.

GAAP loss per ADS was $0.27 versus a loss of $0.54 per share a year ago. On a non-GAAP basis, taking out stock-based compensation and the portfolio gains and losses, the loss was $0.15 per share versus $0.26 in Q1 2021. In Q1 2022 the average count was 28.9 million primary ADS, up only 2.3%.

Balance Sheet

UCL ended March 31, 2022 with $11.2 million in cash, no restricted cash and $10.3 million in debt. The cash balance declined $3.1 million and the debt increased $7.2 million. Its working capital was a negative $1.2 million at quarter end and its quick ratio 0.9 times.

In addition, the company has $21.7 million in other investments, $12.8 million in current and $9.0 million in non-current. If needed the company can sell some of its $12.8 million investment portfolio giving it a total available of $24.0 million. It had an adjusted EBITDA loss in the quarter of $3.9 million versus $6.7 million last year. The adjusted EBITDA loss has been declining steadily since Q4 of 2020 and we expect that to continue.

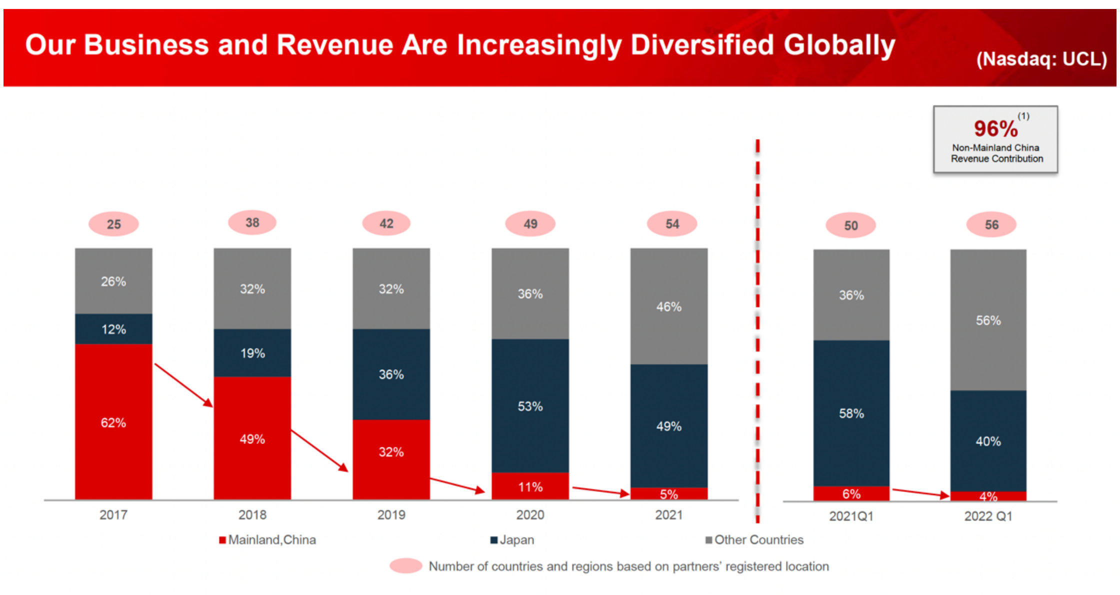
During the Quarter

On January 6, 2022 uCloudlink agreed to sell $5 million of a convertible debenture to YA II PN, Ltd., a limited partnership managed by Yorkville Advisor Global at 95% of the principal amount through a private placement. The net proceeds were **$4.7 million** The convertible debentures bear interest at a rate of 5% per year and have a one-year maturity unless redeemed or converted in accordance with their terms. YA II PN has the right to convert all or any portion of the convertible debentures at its option at any time. The conversion price shall be the lower of $3.50 per ADS, or 85% of a reference price benchmarked against the trading price of UCL's ADSs. In addition, uCloudlink will also issue to the purchaser 1,000,000 ordinary shares as commitment fee at closing. At $3.50 the debentures convert to 1,428,5710 ADS. At 85% of today's price that would be 5.0 million ADS.

As of March 31, 2022, uCloudlink had 2,240 business partners across 56 countries and regions. It also had 184 patents of which 110 were approved and 74 are pending approval, and its SIM card pool included SIM cards from 305 MNOs around the world.

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 (51% of revenues in 2021) with the remainder from selling associated hardware--primarily mobile hotspots. In 2021, 41% of its services revenue came from its higher margin B2B SaaS/PaaS offerings. In Q1 2022, 40% of its revenues came from Japan primarily for service within the country. It continues to expand business opportunities globally such as in the United States, Europe and Asia, etc. where is it growing as opposed to Japan and China where revenues are declining.



Source: uCloudlink

- 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 and 2021 due the shut down of international travel. The demand of UCL local data connectivity services kept steady, but is waning as face-to-face returns in Japan. 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.

- The company expects to grow in the United States, and the rest of the world this year. 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.

- We consider uCloudlink both a reopening and 5G play as it was heavily dependent on the international traveler and because it has launched products and services using 5G. It stands to benefit greatly from 5G in that 5G enables more applications, as well as the fact that 5G coverage is spotty and the ability to blend 5G connections among carriers worldwide and seamlessly should drive more customers to uCloudlink.

- It trades at an enterprise value to 2022 estimated sales of 0.4xs versus comparable companies that trade at 4.5 times. When uCloudlink shows sustainable year over year growth and gets to cash breakeven, we believe this valuation differential could dissipate.

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, 2021. 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 long 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 is further developing 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 has started to release 5G and hyper-connectivity related products and services.

VALUATION

UCL's current enterprise value is $33 million and the stock trades at 0.4 times enterprise value to 2022 estimated sales, uCloudlink is priced well below its peers as shown below. On average SaaS companies are trading at 4.5 times EV/2022 Sales.

Using the industry comps and applying them to our 2022 revenue forecast of $81 million for uCloudlink, we reach a market value of $365 million. We have discounted the valuation by 50% based on the fact the company is still reporting declining year over year revenues. Using the estimated fully diluted share count of 31 million ADS, we get a price per share of $5.88. As the company shows continued revenue growth and moves closer to cash breakeven we expect its valuation may start to improve if it can meet or exceed estimates.

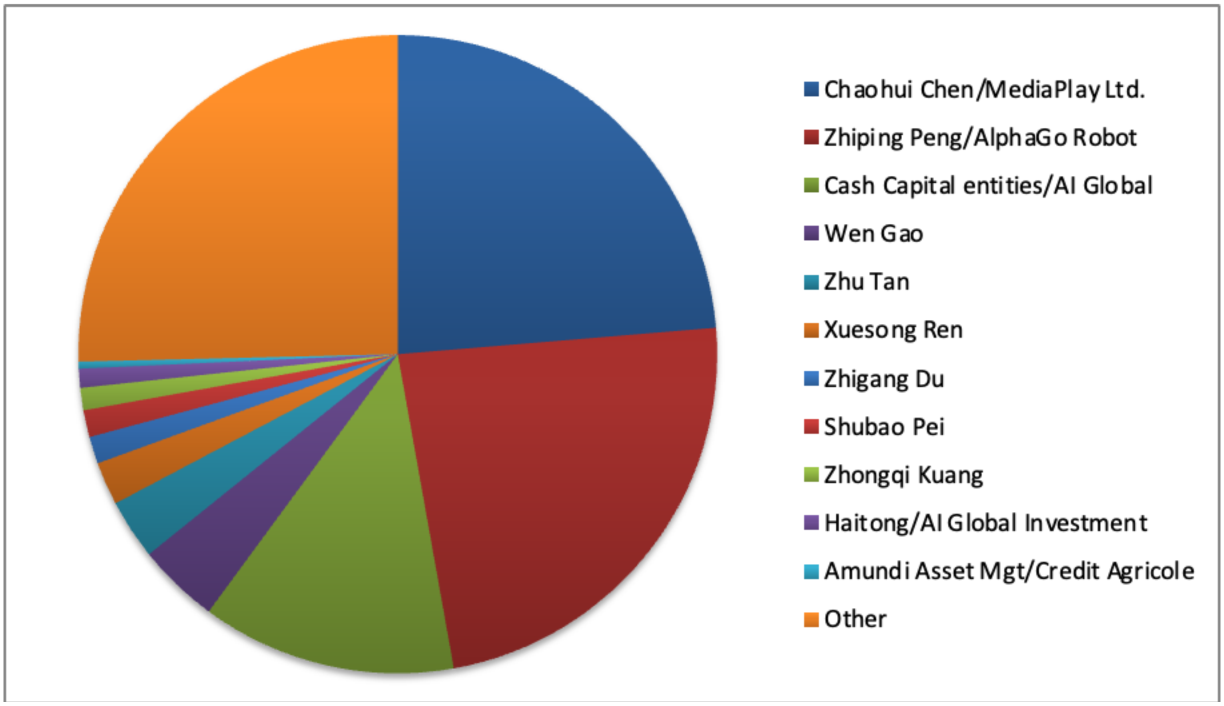
Company	Ticker	Cal Rev 2023E	Cal Rev 2022E	LTM	EBIDTA Margin	EV/Sales 2023E	EV/Sales 2022E	EV/Sales LTM	Included in Average?	Enterprise Value
Cloopen Group Holding	RAAS	NA	223	159	-67%	NA	-1.1	-1.5	n	(240)
8x8 Inc.	EGHT	NA	757	638	-20%	NA	1.6	2.0	y	1,247
Five9	FIVN	957	772	654	-3%	7.4	9.2	10.8	y	7,097
RingCentral Inc.	RNG	2,490	2,010	1,710	-12%	3.0	3.8	4.4	y	7,570
Roku	ROKU	4,800	3,710	2,920	11%	2.3	3.0	3.8	y	11,050
Salesforce	CRM	37,830	32,060	26,490	12%	4.3	5.1	6.2	y	164,540
Twilio	TWLO	5,000	3,870	3,130	-21%	3.0	3.9	4.8	y	15,070
Vonage	VG	1,820	1,580	1,370	6%	3.0	3.5	4.0	y	5,480
Zoom	ZM	5,150	4,540	4,220	25%	5.1	5.8	6.2	y	26,263
Average						4.0	4.5	5.3		26,507

RISKS

- The company continues to be affected by the shut down of international travel worldwide due to the pandemic, particularly in China. When this will end is an unknown and will affect revenues greatly.
- 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 Chinese government is now evaluating regulations on companies operating under a VIE structure and any changes could greatly affect investors. The company is taking steps to eliminate the VIE structure and transferring assets and terminating contracts. As a result, the company will partner with telcos rather than maintain a telecommunications license in China.

- Its two founders, Chaohui Chen and Zhiping Peng, who beneficially own all of the Class B ordinary shares, control the company. As of December 31, 2021, these Class B shares constituted approximately 47.4% of the total and 91.9% of the aggregate voting power.

OWNERSHIP



INCOME STATEMENT

	Q1 2021 31-Mar	Q2 2021 30-Jun	Q3 2021 30-Sep	Q4 2021 31-Dec	Q1 2022 31-Mar	Q2 2022E 30-Jun	Q3 2022E 30-Sep	Q4 2022E 31-Dec	2019	2020	2021	2022E	2023E
Revenues from services													
Total data connectivity	6,100	6,000	7,600	6,700	7,200	7,200	9,600	12,950	80,537	39,956	26,400	36,950	51,000
Int'l data connectivity	5,500	4,800	6,100	5,200	5,500	5,600	8,000	11,350	77,974	30,798	21,600	30,450	44,000
Local data connectivity	600	1,200	1,500	1,500	1,600	1,600	1,600	1,600	2,563	9,158	4,800	6,400	7,000
PaaS/SaaS	2,300	3,200	2,700	2,700	2,500	2,800	3,100	3,200	9,135	5,717	10,900	11,600	15,000
Other	-	-	-	-	-	-	-	-	1,438	477	-	-	
Total services	**8,383**	**9,327**	**10,467**	**9,622**	**9,827**	**10,000**	**12,700**	**16,150**	**91,110**	**46,150**	**37,798**	**48,550**	**66,000**
Yr-to-yr Growth	-52%	-5%	6%	7%	17%	7%	21%	68%	3.0%	-49.3%	-18.1%	28.4%	74.6%
Services Gross Margin	3,013	4,237	4,557	4,436	4,816	4,900	6,223	8,075	55,716	19,758	16,243	24,014	33,000
Gross Margin %	35.9%	45.4%	43.5%	46.1%	49.0%	49.0%	49.0%	50.0%	61.2%	42.8%	43.0%	46.0%	50.0%
Total products	**9,311**	**9,913**	**8,855**	**7,947**	**5,786**	**7,000**	**8,000**	**11,700**	**67,271**	**43,419**	**36,026**	**32,486**	**42,000**
Yr-to-yr Growth	-42%	-11%	9%	-1%	-38%	-29%	-10%	47%	77.3%	-35.5%	-17.0%	-9.8%	16.6%
Product Gross Margin	2,518	1,166	904	1,004	1,019	1,120	1,200	1,755	9,402	8,547	5,592	5,094	5,880
Gross Margin %	27%	12%	10%	13%	18%	16%	15%	15%	14.0%	19.7%	15.5%	15.7%	14.0%
Revenue	**$17,694**	**$19,240**	**$19,322**	**$17,569**	**$15,613**	**$17,000**	**$20,700**	**$27,850**	**$158,381**	**$89,569**	**$73,824**	**$81,036**	**$108,000**
Yr-to-yr Growth	-47%	-8%	7%	3.2%	-12%	-12%	7%	59%	25.3%	-43.4%	-17.6%	9.8%	46.3%
Cost of revenue	12,163	13,837	13,861	12,129	9,778	10,980	13,277	18,020	93,463	61,264	51,990	51,928	69,120
Gross profit	5,531	5,403	5,461	5,440	5,835	6,020	7,423	9,830	64,918	28,305	21,834	29,108	38,880
Gross Margin %	31.3%	28.1%	28.3%	31.0%	37.4%	35.4%	35.9%	35.3%	41.0%	31.6%	29.6%	35.9%	36.0%
R&D	3,799	3,040	3,499	3,359	2,682	2,800	3,300	3,300	15,108	26,359	13,697	12,082	14,000
Sales & Marketing	3,441	3,775	3,080	3,324	2,787	2,900	3,600	3,800	24,367	29,261	13,620	13,087	18,000
G&A	10,948	6,098	6,062	5,444	4,580	4,500	4,400	4,300	20,224	43,221	28,551	17,780	23,000
Other expense	2,664	714	(196)	8,694	3,336	0	0	0	(290)	(7,554)	11,876	3,336	0
Total operating expenses	20,852	13,627	12,445	20,821	13,385	10,200	11,300	11,400	59,409	91,287	67,744	46,285	55,000
Operating income:	(15,321)	(8,224)	(6,984)	(15,381)	(7,550)	(4,180)	(3,877)	(1,570)	5,509	(62,982)	(45,910)	(17,177)	(16,120)
Operating margin	-86.6%	-42.7%	-36.1%	-87.5%	-48.4%	-24.6%	-18.7%	-5.6%	3.5%	-70.3%	-62.2%	-21.2%	-14.9%
Other income:													
Interest income	3	5	3	2	3	1	-	-	193	37	14	4	5
Interest expense	(39)	(50)	(54)	(45)	(162)	(170)	(170)	(170)	(438)	(285)	(188)	(672)	(300)
Amortization of beneficial conv. feature	-	-	-	-	(219)	(219)	(219)	(219)					
Total other income	(36)	(45)	(51)	(43)	(378)	(169)	(170)	(170)	(245)	(248)	(175)	(248)	(175)
Income before income taxes	(15,357)	(8,269)	(7,035)	(15,424)	(7,928)	(4,349)	(4,047)	(1,740)	5,264	(63,230)	(46,084)	(17,425)	(16,295)
Pretax Margin	-86.8%	-43.0%	-36.4%	-87.8%	-50.8%	-25.6%	-19.6%	-6.2%	3.3%	-70.6%	-62.4%	-21.5%	-15.1%
Income taxes	0	(4)	0	248	1	0	0	250	57	185	244	250	250
Tax rate	0%	0%	0%	-2%	0%	0%	0%	-14%	1.1%	0%	-1%	-1%	-2%
Share of profit in equity method inv., net	0	53	60	174	14	50	50	50	0	(174)	287	164	0
Net income	(15,357)	(8,212)	(6,975)	(15,498)	(7,915)	(4,299)	(3,997)	(1,940)	5,207	(63,415)	(46,041)	(17,511)	(16,545)
Yr-over-Yr	-6267%	-80%	-28%	25%	-48%	-48%	-43%	-87%	-120%	-1318%	-27%	-62.0%	-64%
Accrection of Series A-2 ordinary & Pfd	0	0	0	0	0	0	0	0	2,540	1,293	0	0	0
Income allocation to part. Prfd shareholders	0	0	0	0	0	0	0	0	296	0	0	0	0
Net income to ordinary shareholders	(15,357)	(8,212)	(6,975)	(15,498)	(7,915)	(4,299)	(3,997)	(1,940)	2,371	(64,708)	(46,041)	(17,511)	(16,545)
Currency translation adjustment	715	(283)	(392)	0	(48)	0	0	0	32	(1,135)	40	-	-
Comprehensive income	(14,642)	(8,495)	(7,367)	(15,498)	(7,963)	(4,299)	(3,997)	(1,940)	5,239	(64,550)	(46,041)	(17,511)	(16,545)
Stk based compensation	5,547	1,159	845	1,206	700	800	1,000	1,200	169	50,607	8,757	3,700	8,000
One-time expenses	2,524	974	115	8,694	2,895	0	0	0	0	(4,909)	12,020	0	0
Non-GAAP Income	(7,286)	(6,079)	(6,015)	(5,598)	(4,320)	(3,499)	(2,997)	(740)	2,540	(17,717)	(25,264)	(13,811)	(8,545)
Yr-over-Yr	1556%	39%	6%	-34%	-41%	-42%	-50%	-87%	-108.8%	-798%	43%	-45.3%	-66%
Net income per share:													
Primary EPS	(0.05)	(0.03)	(0.02)	(0.05)	(0.03)	(0.01)	(0.01)	(0.01)	0.01	(0.25)	(0.16)	(0.06)	(0.06)
Diluted EPS	(0.05)	(0.03)	(0.02)	(0.05)	(0.03)	(0.01)	(0.01)	(0.01)	0.01	(0.25)	(0.16)	(0.06)	(0.06)
Diluted Non-GAAP EPS	(0.03)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.00)	0.02	(0.05)	(0.09)	(0.05)	(0.03)
	1262%	19%	5%	-36%	-43%	-45%	-52%	-87%	-113%	-350%	77%	-47.9%	-68%
Shares (millions)													
Basic	283	283	284	287	289	290	290	290	232	260	286	300	300
Yr-over-Yr	21.6%	16.4%	0.8%	1.9%	2%	2%	2%	1%	25%	12%	10%	4.9%	5%
Diluted	283	283	284	287	294	295	295	295	232	260	286	300	300
Yr-over-Yr	21.6%	16.4%	0.8%	1.9%	4%	4%	4%	3%	25%	12%	10%	4.9%	5%
Net income per ADS:													
Primary EPADS	(0.54)	(0.29)	(0.25)	(0.54)	(0.27)	(0.15)	(0.14)	(0.07)	0.10	(2.49)	(1.61)	(0.58)	(0.55)
Diluted EPADS	(0.54)	(0.29)	(0.25)	(0.54)	(0.27)	(0.14)	(0.13)	(0.06)	0.10	(2.49)	(1.61)	(0.58)	(0.55)
Non-GAAP EPADS	(0.26)	(0.21)	(0.21)	(0.20)	(0.15)	(0.12)	(0.10)	(0.03)	0.11	(0.68)	(0.88)	(0.46)	(0.28)
	1262%	19%	5%	-36%	-42%	-44%	-51%	-87%					
ADS (millions)													
Basic	28.3	28.3	28.4	28.7	28.9	29.0	29.0	29.0	23.2	26.0	28.6	30.0	30.0
Yr-over-Yr	21.6%	16.4%	0.8%	1.9%	2%	2%	2%	1%	-18.2%	-9.5%	10.1%	15.5%	4.9%
Diluted	28.3	28.3	28.4	28.7	29.4	31.0	31.0	31.0	23.2	26.0	28.6	30.0	30.0
Yr-over-Yr	21.6%	16.4%	0.8%	1.9%	4%	9%	9%	8%	-18.2%	-9.5%	10.1%	15.5%	4.9%
Adjusted EBITDA	(6,670)	(5,465)	(5,386)	(5,090)	(3,863)	(3,057)	(2,555)	(48)	8,915	(14,979)	(22,611)	(9,523)	(5,660)

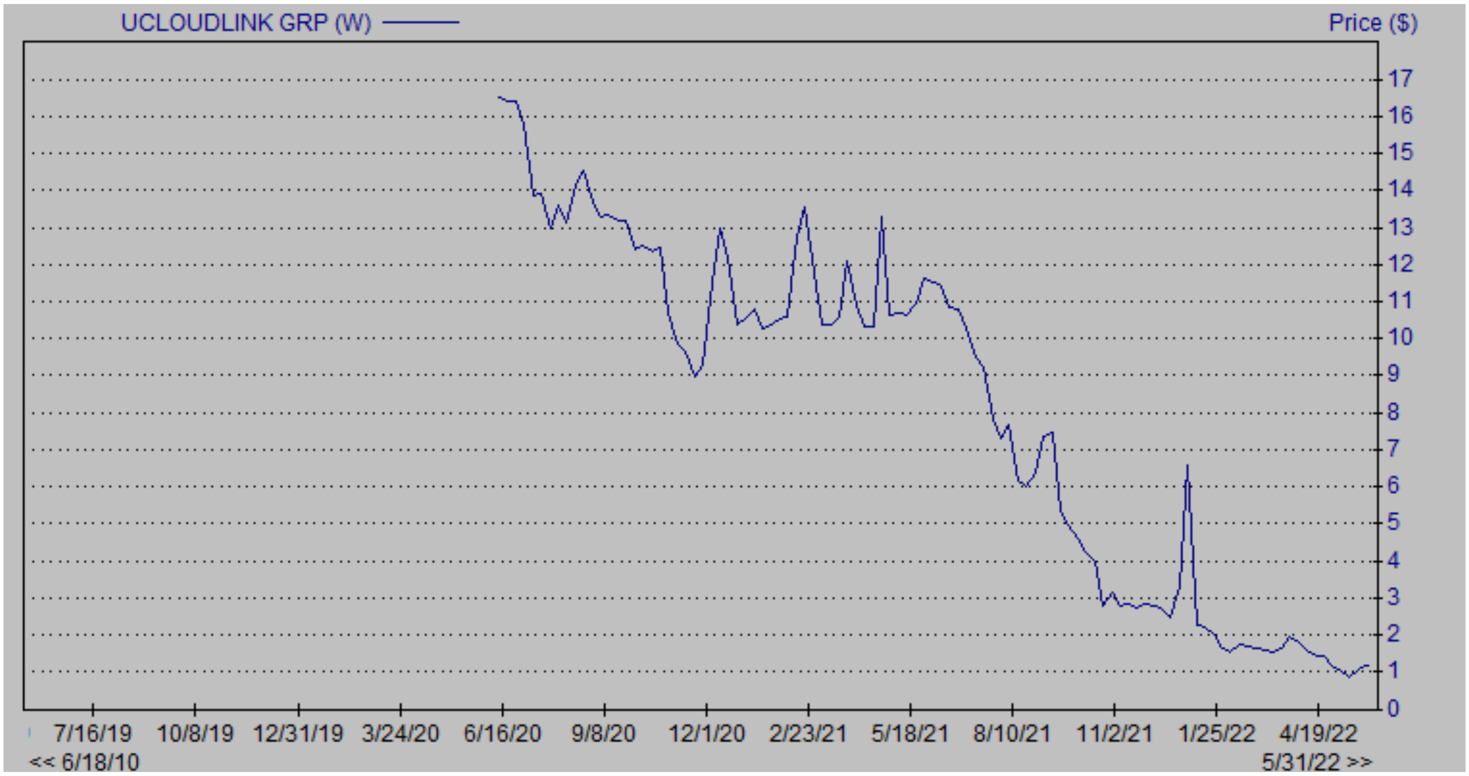
BALANCE SHEET

	Mar 31, 2022	Dec 31, 2021	Qtr-Qtr % Growth	Mar. 31, 2021	Yr-Yr % Growth
Current assets:					
Cash and equivalents	**$ 11,010**	**$ 7,868**	39.9%	**$ 24,715**	-55.5%
Short term deposit	**$ 196**	**$ 196**	0.0%	**$ 195**	0.5%
Accounts receivable, net	14,820	14,923	-0.7%	9,672	53.2%
Inventories	5,072	6,133	-17.3%	6,196	-18.1%
Prepaid expenses & other curr assets	5,442	6,225	-12.6%	7,912	-31.2%
Other investments	12,766	12,587	1.4%	16,321	-21.8%
Amount due from related parties	861	1,153	-25.3%	819	5.1%
Total current assets	50,167	49,085	2.2%	65,830	-23.8%
Prepayments	1,115	1,310	-14.9%	1,918	-41.9%
Long-term investment	1,888	1,867	1.1%	1,538	22.8%
Other investments	8,971	12,058	-25.6%	18,164	-50.6%
Property and equipment, net	1,529	1,796	-14.9%	2,571	-40.5%
Intangible assets, net	974	1,009	-3.5%	1,006	-3.2%
Total assets	64,644	67,125	-3.7%	91,027	-29.0%
Current liabilities:					
Short term borrowings	**6,160**	**3,177**	93.9%	**4,895**	25.8%
Accrued expenses and other liabilities	27,434	27,580	-0.5%	25,946	5.7%
Accounts payable	9,972	12,986	-23.2%	9,715	2.6%
Amount due to related party	1,344	1,453	-7.5%	1,496	-10.2%
Contract liabilities	1,586	1,575	0.7%	883	79.6%
Convertible promissory note	**4,174**	**0**	NA	**0**	NA
Financial derivative instrument	672	0	NA	0	NA
Total current liabilities	51,342	46,771	9.8%	42,935	19.6%
Other non-current liability	248	262	-5.3%	306	-19.0%
Total liabilities	51,590	47,033	9.7%	43,241	19.3%
Stockholders' equity					
Class A Common stock	8	8	0.0%	8	0.0%
Class B Common stock	6	6	0.0%	6	0.0%
Additional paid-in capital	230,973	230,048	0.4%	226,325	2.1%
Accumulated other comp income	(494)	(446)	10.8%	286	-272.7%
Accumulated losses	(217,439)	(209,524)	3.8%	(178,839)	21.6%
Total stockholders' equity	13,054	20,092	-35.0%	47,786	-72.7%
Total liabilities and stockholders' equity	64,644	67,125	-3.7%	91,027	-29.0%
Current ratio	1.0	1.0	-6.9%	1.5	-36.3%
Quick ratio	0.9	0.9	-4.4%	1.4	-36.8%
Working Capital	(1,175)	2,314	-150.8%	22,895	-105.1%
Net cash	4,850	4,691	3.4%	19,820	-75.5%
Investment portfolios	21,737	24,645	-11.8%	34,485	-37.0%
Debt	10,334	3,177	225.3%	4,895	111.1%
Debt/TA	16%	5%	237.8%	5%	197.3%

CASH FLOWS

	3 Months Mar 31, 2020	3 Months Jun 30, 2020	3 Months Sep 30, 2020	3 Months Dec 31, 2020	Year 2020	3 Months Mar 31, 2021	3 Months Jun 30, 2021	3 Months Sep 30, 2021	3 Months Dec 31, 2021	Year 2021	3 Months Mar 31, 2022
Cash flows from operating activities:											
Net income	249	(41,617)	(9,665)	(12,382)	(63,415)	(15,357)	(8,212)	(6,975)	(15,498)	(46,041)	(7,915)
Adjustments to reconcile net income to net cash provided by operating activities:											
Provision for bad debt	254	427			2,794					40	
Impairment for inventory obsolescence	529	318			636					16	
Disposal of obsolent goods	-	-									
Depreciation	588	532			2,174					2,022	294
Amortization	21	21			94					143	
Gain on disposal of property & equipment	-	8			(375)					(94)	
Loss on disposition of intangible assets	-	-			-					-	
Interest expense	122	106			285					188	
Share based compensation	-	36,854	7,870	5,883	50,607	5,547	1,159	845	1,201	8,757	700
Fair value gains on other investments	-	-		(4,909)	(4,909)	2,524	1,027	175	8,637	12,363	(2,909)
Share of loss in equity method investments	-	996			-			(60)		(287)	(14)
Foreign currency exchange (gains)/losses	30	(80)			182			(392)		1,106	(48)
Change in operating assets and liabilities:											
Accounts receivable	4,765	7,447			16,228	-	-	-	-	(8,239)	-
Prepaid expenses and other current assets	(3,273)	1,305			690	-	-	-	-	985	-
Inventories	632	2,300			4,036	-	-	-	-	(302)	-
Accrued expenses, AP and other liabilities	2,095	(10,402)			(9,273)	-	-	-	-	5,917	-
Amount due to related parties	212	(230)			481	-	-	-	-	(50)	-
Amounts due from related parties	414	(391)			(1,572)	-	-	-	-	1,111	-
Contract liabilities	56	(367)			(1,036)	-	-	-	-	686	-
Other non-current liabilities	-	-			335	-	-	-	-	(59)	-
Net cash used by operating activities	6,694	(2,773)	(433)	(5,526)	(2,038)	(6,708)	(6,143)	(5,718)	(3,169)	(21,738)	(4,438)
Cash flows from Investing activities:											
Purchase of property & equipment	(994)	(204)		400	(1,252)	(100)	(300)	(255)	(200)	(787)	(6)
Purchase of intangible assets	(24)	-			(482)					(92)	
Proceeds from disposal of property & eqt.	-	-			230					193	
Cash paid for equity investment	-	-			-	(200)	(47)			(247)	
Cash paid for long term investment	-	-			(811)					-	
Proceeds from disposal of short term invest.	-	-		-	-					-	
Increase in short term deposit	(3)	-			(3)					(2)	
Purchase of other investments	-	(33,126)			(33,126)					-	
Net cash used in investing activities	(1,021)	(33,330)	(955)	(138)	(35,444)	(285)	(195)	(255)	(200)	(935)	7
Cash flows from Financing activities:											
Repurchase of Series A-1 shares	-	-	-	-	-	-	-	-	-	-	-
Repayment of other borrowing	(557)	(529)			(1,819)	(1,000)	-	-	-		
Proceeds from bank borrowings	592	2			3,674	2,200	2,334			11,419	
Repayments of bank borrowings	(284)	(1,665)			(5,074)	-	-	-	-	(11,968)	-
Net proceeds from IPO	-	29,904	-	29,904	29,904	-	-	-	-	-	-
Proceeds from exercise of options	-	-	-	-	-	700	72			1,284	
Net cash provided by financing activities	(249)	27,712	(3,570)	2,792	26,685	1,896	(52)	2,004	(3,113)	735	7,721
Effect of exchange rate changes of cash	(248)	77	389	531	749	(414)	56	(73)	11	(420)	(148)
Net change - cash	5,176	(8,314)	(4,569)	(2,341)	(10,048)	(5,511)	(6,334)	(4,042)	(6,482)	(22,358)	3,290
Cash, beginning of quarter	40,274	45,450	37,136	32,567	40,274	30,226	24,715	18,381	14,339	30,226	7,868
Cash, end of period	45,450	37,136	32,567	30,226	30,226	24,715	18,381	14,339	7,868	7,868	11,010
Cash Flow	1,793	(2,435)	NA	NA	(11,927)	NA	NA	NA	NA	(21,787)	NA
Free cash flow	799	(2,639)	NA	NA	(10,675)	NA	NA	NA	NA	(21,000)	NA

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of $40,000 annually.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer and, therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.