

Zacks Small-Cap Research

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uCloudlink Group (UCL-NASDAQ)

Chip Shortages and Delays Cause Educational Tablet Order Fulfillment to Slip into 2022

Based on an industry average EV to sales of 13.3xs 2021 revenues, we believe UCL stock could be worth \$16.95 per share if it achieves forecasts.

Current ADS Price (08/25/21) \$6.76
Valuation \$16.95

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 return to year over year revenue growth next quarter.

SUMMARY DATA

52-Week High \$14.56
52-Week Low \$6.00
One-Year Return (%) -50
Beta 1.5
Average Daily Volume (sh) 100,053

Shares Outstanding (mil) 28.3
Market Capitalization (\$mil) \$191
Short Interest Ratio (days) 0.1
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	17.7 A	19.2 A	19.5 E	20.7 E	77.1 E
2022					123.4 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	-\$0.54 A	-\$0.29 A	-\$0.25 E	-\$0.23 E	-\$1.31 E
2022					-\$0.70 E

Zacks Projected EPS Growth Rate - Next 5 Years % 20

WHAT'S NEW

UCloudlink exceeded the high end of its revenue guidance for Q2 2021 of between \$18-19 million coming in at \$19.2 million, but gave Q3 guidance of between \$19.3-20.0 million, well below our expectations. The guidance however still puts the company back in growth mode after five quarter of year over year revenue declines. The midpoint of guidance puts year over year growth of 9.2% and even at the low end of the guidance range, the company expects sequential improvement.

The main cause of lower guidance compared to our previous expectations is that shipments against educational tablet orders were delayed into 2022 from and expected start in Q3 2021. In addition to its availability slipping one month, the company is hampered by the industry-wide chip shortage, making fulfillment difficult. This could push an expected \$32 million in product and services revenue into 2022 from 2021, making it another down year. One concern is that now the tablets have missed the start of the school year, but uCloudlink assured investors that that is not an issue and the schools will accept orders even at the start of 2022. Because of Q3 guidance and this order slippage, we are reducing our 2021 revenue estimate to \$77 million and increasing the loss per share to \$1.31. We are also reducing 2022 estimates to revenues of \$123 million and a loss of \$0.70 per share based on the assumption of \$32 million from the education tablet and services move into 2022 and the base business grows 10%. We expect this to be conservative if international travel opens more widely globally and specifically to and from China.

Q2 2021 Earnings

For the quarter ending June 30, 2021, UCL generated \$19.2 million in revenues, down 5.5% compared with the \$21.0 million in Q2 2020. Total gross margin was 28.1% versus 26.1% in Q2 2020 due to product mix toward higher SaaS/PaaS revenues. So despite a decline in revenues of 5.5%, gross margin dollars were only down 1.5%.

Geographic Distribution

	Q2 2020	% of Sales	Q2 2021	% of Sales	Yr-Yr %
Japan	11,165	55.7%	11,082	52.6%	-0.7%
China	3,932	7.6%	1,097	8.3%	-72.1%
Other	5,929	36.7%	7,061	39.1%	19.1%
	21,026		19,240		-8.5%

While Japan was flat year over year, China fell off a cliff and the rest of the world had to take up the slack showing the company in making good inroads to other geographies, which we presume is dominated by growth in the US where travel is less restricted. In the US market, uCloudlink expanded distribution during the quarter and even set a new 12-month high for Amazon product sales. This was combined with a significant year-over-year increase in demand for international data connectivity services.

Product sales were down 11% to \$9.9 million versus \$11.2 million in Q2 2020. Gross margin declined to 12% from 18%. This was due to both product mix, which was skewed to lower gross margin products with the company specifically citing a large shipment of Wi-Fi dongles to a Japanese customer as well as an increase in chipset prices.

Services revenues decreased year over year to \$9.3 million from \$9.9 million (5%) but were up sequentially. The revenue mix continued to shift to a higher percentage of PaaS/SaaS revenues, which generate higher gross margins. The quarter's services gross margin was 45.5% compared to 35.1% in Q2 2020 and 35.9% in Q1 2021.

Operating expense decreased to \$13.6 million from \$47.0 million a year ago and \$20.9 million in Q1 2021. The difference was in stock-based compensation, which was \$1.2 million this quarter, the lowest ever since public, compared to last year that had \$37 million and Q1 2021 that had \$5.5 million. Without stock-based comp, operating expenses would have been only \$12.5 million this year compared to \$10.2 million last year. Sequentially operating costs were down \$2.8 million (ex-stock based comp) and we expect the company to continue to take measure to reduce costs reducing cash burn.

The pretax loss was \$8.3 million compared to a loss of \$41.6 million in Q2 2020. Net loss to ordinary shareholders was \$8.2 million versus a loss of \$42.2 million in Q2 2020. On a non-GAAP basis the loss would have been \$6.1 million to \$4.4 million

GAAP loss per ADS was \$0.29 versus a loss of \$1.73 per share a year ago. On a non-GAAP basis, taking out investment losses and stock-based compensation, the loss was \$0.21 per share versus \$0.18 in Q2 2020. In Q2 2021 the average share count increased 16.4% to 28.3 million primary ADS.

Balance Sheet

UCL ended June 30, 2021 with \$18.4 million in cash, no restricted cash and \$4.8 million in debt. The cash balance declined \$6.2 million and the debt decreased \$113,000. Its working capital was \$16.0 million at quarter end and its quick ratio 1.2 times.

In addition, the company has \$34.5 million in other investments, \$15.0 million in current and \$18.5 million in non-current. If needed the company can sell some of its \$15.0 million investment portfolio giving it a total available of \$33.4 million. We believe its normalized cash burn is still approximately \$1.7 million a month, but that should decline throughout the year as revenues ramp. At its current burn rate that gives it runway of over 1-2/3 years.

As of June 30, 2021, uCloudlink owned 77 patents relating to the cloud SIM technology in China, Japan, the United States, and other countries, and had 83 pending patent applications. These patents cover its key technologies, including cloud SIM architecture and supporting terminals, design patents, hardware antenna and hardware configuration.

During the Quarter

In June at Mobile World Congress Barcelona uCloudlink unveiled its new HyperConn technology as well as: GlocalMe Numen, its first 5G mobile Wi-Fi device and its GlocalMe Genie, a 4G pad device. The first edition of Numen was available in Europe and Asia on July 15, with future release dates to be announced later. UCloudlink will release Genie in Q4 2021.

After the Quarter Ended

On July 26, 2021 uCloudlink announced a new local partnership with FuXing Kitchen Equipment, a leading kitchenware manufacturer in the Philippines. UCloudlink will provide its mobile broadband (MBB) products and services to FuXing.

On August 5th, UCloudlink announced it has partnered with AIR-U to bring its HyperConn solution to Japan, bundled with its new ATab-1 CLOUD Air-Wi-Fi Tablet. The tablet has a 10.1" FHD display, 8-megapixel in-camera, and 2-megapixel out camera. The ATab-1 is targeting the student market in its switch to distance learning.

On August 10th uCloudlink launched a local partnership with an Indonesian company that provides mobile Internet solutions the region. This partner will market, distribute, and sell uCloudlink's devices and connectivity services in Indonesia.

On August 29th uCloudlink partnered with Zaffari Sports S.A.S., a sports and outdoor retailer based in Medellin, Colombia. Zaffari will resell uCloudlink's products and services to sporting enthusiasts and hobbyists throughout the region.

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 (48% of revenues) with the remainder from selling associated hardware--primarily mobile hotspots. 31% of its services revenue comes from its higher margin B2B SaaS/PaaS offerings. Over half of its revenues now come from Japan for service within the country. It continues to expand business opportunities globally such as in 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 had given guidance that it expected to reach between \$107 million and \$130 million in revenues that would be growth between 20 and 45% if international travel recovered. That has not happened, nor will it ship its tablet to the education market in 2021 as expected. The company is now not giving 2021 guidance but did give it for Q3 2021. Because of this guidance and the tablet slippage, we have cut estimates to reflect another down year.
- The company expects to grow in Japan and the United States 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 is about to launch 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 2021 estimated sales of 2.4xs versus comparable companies that trade at 13.3 times. When the company returns to year over year growth 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, 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 has just started to release 5G and hyper-connectivity related products and services.

VALUATION

UCL's current enterprise value is \$182 million and the stock trades at 2.4 times enterprise value to 2021 estimated sales, uCloudlink is priced well below its peers as shown below. On average SaaS companies are trading at 13.3 times EV/2021 Sales.

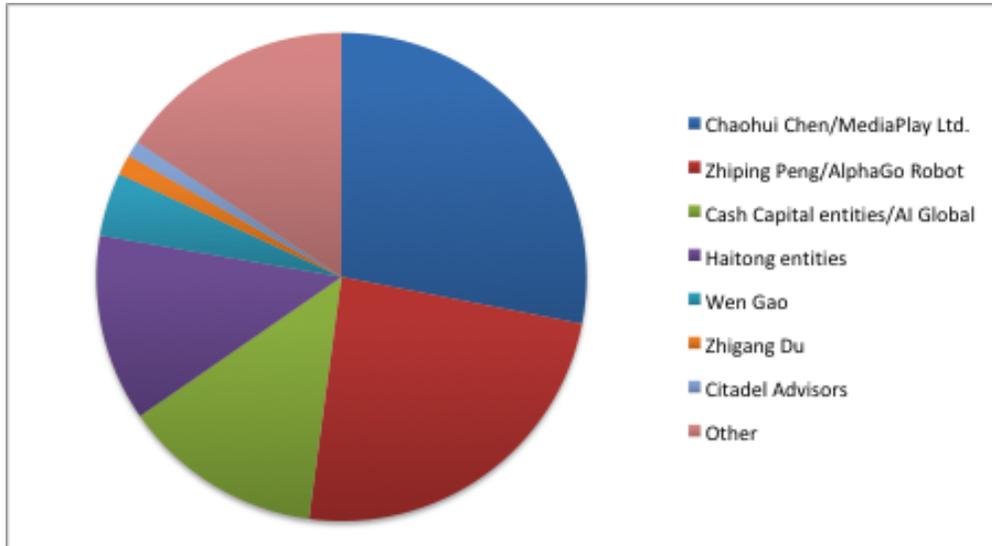
Using the industry comps and applying them to our 2021 revenue forecast of \$77 million for uCloudlink, we reach an enterprise and market value of \$1.0 billion. We have discounted the valuation by 50% based on the fact the company has reported declining revenues for the last five quarters. Using the estimated fully diluted share count of 30.2 million ADS using the treasury stock method, we get a price per share of \$16.95. Next quarter, should the company return to revenue growth and move closer to cash breakeven we expect its valuation may start to improve if it can meet or exceed estimates.

Company	Ticker	Calendar Revenue		LTM	EBIDTA Margin	EV/Sales			Included in Average?	Enterprise Value
		2022E	2021E			2022E	2021E	LTM		
Cloopen Group Holding	RAAS	221	167	130	-73%	1.5	2.0	2.5	y	327
8x8 Inc.	EGHT	NA	594	559	-23%	NA	5.0	5.3	y	2,950
Five9	FIVN	650	551	522	3%	19.2	22.7	23.9	y	12,500
RingCentral Inc.	RNG	1,860	1,545	1,370	-6%	13.2	15.8	17.9	y	24,480
Roku	ROKU	3,890	2,850	2,320	13%	11.7	16.0	19.6	y	45,500
Salesforce	CRM	31,090	26,010	22,350	16%	7.8	9.4	10.9	y	244,000
Twilio	TWLO	3,500	2,670	2,250	-20%	16.7	21.9	26.0	y	58,400
Vonage	VG	1,520	1,390	1,250	9%	2.5	2.8	3.1	y	3,860
Zoom	ZM	4,750	4,000	3,280	30%	20.2	24.0	29.2	y	95,800
Average					-5.7%	11.6	13.3	15.4		48,961

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.

OWNERSHIP



INCOME STATEMENT

	Q1 2020 31-Mar	Q2 2020 30-Jun	Q3 2020 30-Sep	Q4 2020 31-Dec	Q1 2021 31-Mar	Q2 2021 30-Jun	Q3 2021E 30-Sep	Q4 2021E 31-Dec	2019	2020	2021E	2022E
Revenues from services												
Total data connectivity	15,400	9,400	8,200	7,000	6,100	6,000	6,000	6,100	80,537	39,956	24,200	
Int'l data connectivity	13,000	6,300	5,700	5,800	5,500	4,800	4,700	4,700	77,974	30,798	19,700	
Local data connectivity	2,400	3,100	2,500	1,200	600	1,200	1,300	1,400	2,563	9,158	4,500	
PaaS/SaaS	1,900	500	1,500	1,900	2,300	3,200	4,000	4,600	9,135	5,717	14,100	
Other					-	-	-	-	1,438	477	-	
Total services	17,430	9,868	9,839	9,013	8,383	9,327	10,000	10,700	91,110	46,150	38,410	59,434
Yr-to-yr Growth	-13%	-54%	-61%	-63%	-52%	-5%	2%	19%	3.0%	-49.3%	-16.8%	54.7%
Services Gross Margin	8,972	3,468	3,605	3,713	3,013	4,237	4,700	5,136	55,716	19,758	17,086	27,340
Gross Margin %	51.5%	35.1%	36.6%	41.2%	35.9%	45.4%	47.0%	48.0%	61.2%	42.8%	44.5%	46.0%
Sales of Products												
Sales of terminals									54,880	32,597		
Sales of data related products									11,955	10,194		
Other									436	628		
Total products	16,091	11,158	8,157	8,013	9,311	9,913	9,500	10,000	67,271	43,419	38,724	64,000
Yr-to-yr Growth	256%	-23%	-57%	-73%	-42%	-11%	16%	25%	77.3%	-35.5%	-10.8%	65.3%
Product Gross Margin	2,870	2,019	2,025	1,633	2,518	1,166	2,030	2,080	9,402	8,547	7,794	11,520
Gross Margin %	18%	18%	25%	20%	27%	12%	21%	21%	14.0%	19.7%	20.1%	18.0%
Revenue	\$33,521	\$21,026	\$17,996	\$17,026	\$17,694	\$19,240	\$19,500	\$20,700	\$158,381	\$89,569	\$77,134	\$123,434
Yr-to-yr Growth	36%	-41%	-59%	-68%	-47%	-8%	8%	22%	25.3%	-43.4%	-13.9%	60.0%
Cost of revenue	21,679	15,539	12,366	11,680	12,163	13,837	12,770	13,484	93,463	61,264	52,254	84,574
Gross profit	11,842	5,487	5,630	5,346	5,531	5,403	6,730	7,216	64,918	28,305	24,880	38,860
Gross Margin %	35.3%	26.1%	31.3%	31.4%	31.3%	28.1%	34.5%	34.9%	41.0%	31.6%	32.3%	31.5%
R&D	3,016	13,544	4,766	5,033	3,799	3,040	3,200	3,300	15,108	26,359	13,339	14,000
Sales & Marketing	4,537	13,550	5,710	5,464	3,441	3,775	3,800	3,800	24,367	29,261	14,816	16,000
G&A	4,497	19,967	9,173	9,584	10,948	6,098	6,000	5,900	20,224	43,221	28,946	29,500
Other income	(599)	(54)	(4,439)	(2,462)	2,664	714	700	700	(290)	(7,554)	4,778	-
Total operating expenses	11,451	47,007	15,210	17,619	20,852	13,627	13,700	13,700	59,409	91,287	61,879	59,500
Operating income:	391	(41,520)	(9,580)	(12,273)	(15,321)	(8,224)	(6,970)	(6,484)	5,509	(62,982)	(36,999)	(20,640)
Operating margin	1.2%	-197.5%	-53.2%	-72.1%	-86.6%	-42.7%	-35.7%	-31.3%	3.5%	-70.3%	-48.0%	-16.7%
Other income:												
Interest income	11	15	8	3	3	5	2	2	193	37	12	5
Interest expense	(122)	(106)	(43)	(14)	(39)	(50)	(75)	(100)	(438)	(285)	(264)	(300)
Total other income	(111)	(91)	(35)	(11)	(36)	(45)	(73)	(98)	(245)	(248)	(252)	(252)
Income before income taxes	280	(41,611)	(9,615)	(12,284)	(15,357)	(8,269)	(7,043)	(6,582)	5,264	(63,230)	(37,251)	(20,892)
Pretax Margin	0.8%	-197.9%	-53.4%	-72.1%	-86.8%	-43.0%	-36.1%	-31.8%	3.3%	-70.6%	-48.3%	-16.9%
Income taxes	31	6	50	98	0	(4)	6	6	57	185	8	200
Tax rate	11%	0%	-1%	-1%	0%	0%	0%	0%	1.1%	0%	0%	-1%
Share of profit in equity method inv., net	0	0	0	0	0	53	50	50				
Net income	249	(41,617)	(9,665)	(12,382)	(15,357)	(8,212)	(6,999)	(6,538)	5,207	(63,415)	(37,259)	(21,092)
Yr-over-Yr	-127%	-16615%	-354%	-700%	-6267%	-80%	-28%	-47%	-120%	-1318%	-41%	-43%
Accretion of Series A-2 ordinary & Preferred	689	604	0	0	0	0	0	0	2,540	1,293	0	0
Income allocation to part. Preferred shareholders	0	0	0	0	0	0	0	0	296	0	0	0
Net income to ordinary shareholders	(440)	(42,221)	(9,665)	(12,382)	(15,357)	(8,212)	(6,999)	(6,538)	2,371	(64,708)	(37,259)	(21,092)
Currency translation adjustment	261	(413)	250	(1,233)	715	(283)	0	0	32	(1,135)	432	-
Comprehensive income	510	(42,030)	(9,415)	(13,615)	(14,642)	(8,495)	(6,999)	(6,538)	5,239	(64,550)	(37,259)	(21,092)
Stk based compensation	0	36,854	7,870	5,883	5,547	1,159	1,600	1,400	169	50,607	9,706	13,400
One-time expenses	0	996	(3,869)	(2,036)	2,524	974	700	700	0	(4,909)	4,898	0
Non-GAAP Income	(440)	(4,371)	(5,664)	(8,535)	(7,286)	(6,079)	(4,699)	(4,438)	2,540	(17,717)	(22,655)	(7,692)
Yr-over-Yr	-68%	1041%	-287%	-772%	1556%	39%	-17%	-48%	-108.8%	-798%	28%	-66%
Net income per share:												
Primary EPS	(0.00)	(0.17)	(0.03)	(0.04)	(0.05)	(0.03)	(0.02)	(0.02)	0.01	(0.25)	(0.13)	(0.07)
Diluted EPS	(0.00)	(0.17)	(0.03)	(0.04)	(0.05)	(0.03)	(0.02)	(0.02)	0.01	(0.25)	(0.13)	(0.07)
Diluted Non-GAAP EPS	(0.00)	(0.02)	(0.02)	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	0.02	(0.05)	(0.08)	(0.03)
	-68%	985%	-254%	-656%	1262%	19%	-18%	-48%	-113%	-350%	60%	-68%
Shares (millions)												
Basic	232	243	282	282	283	283	284	284	232	260	284	300
Yr-over-Yr	1.2%	5.2%	21.1%	20.9%	21.6%	16.4%	0.8%	0.9%	25%	12%	9%	6%
Diluted	232	243	282	282	283	283	284	284	232	260	284	300
Yr-over-Yr	1.2%	5.2%	21.1%	20.9%	21.6%	16.4%	0.8%	0.9%	25%	12%	9%	6%
Net income per ADS:												
Primary EPADS	(0.02)	(1.73)	(0.34)	(0.44)	(0.54)	(0.29)	(0.25)	(0.23)	0.10	(2.49)	(1.31)	(0.70)
Diluted EPADS	(0.02)	(1.73)	(0.34)	(0.44)	(0.54)	(0.29)	(0.25)	(0.23)	0.10	(2.49)	(1.31)	(0.70)
Non-GAAP EPADS	(0.02)	(0.18)	(0.20)	(0.30)	(0.26)	(0.21)	(0.17)	(0.16)	0.11	(0.68)	(0.80)	(0.26)
					1262%	19%	-18%	-48%				
ADS (millions)												
Basic	23.2	24.3	28.2	28.2	28.3	28.3	28.4	28.4	23.2	26.0	28.4	30.0
Yr-over-Yr	1.2%	5.2%	21.1%	20.9%	21.6%	16.4%	0.8%	0.9%	-18.2%	-8.6%	9.1%	5.8%
Diluted	23.2	24.3	28.2	28.2	28.3	28.3	28.4	28.4	23.2	26.0	28.4	30.0
Yr-over-Yr	1.2%	5.2%	21.1%	20.9%	21.6%	16.4%	0.8%	0.9%	-18.2%	-8.6%	9.1%	5.8%
Adjusted EBITDA	1,011	(3,102)	(5,021)	(7,867)	(6,670)	(5,465)	(4,128)	(3,867)	8,915	(14,979)	(20,130)	

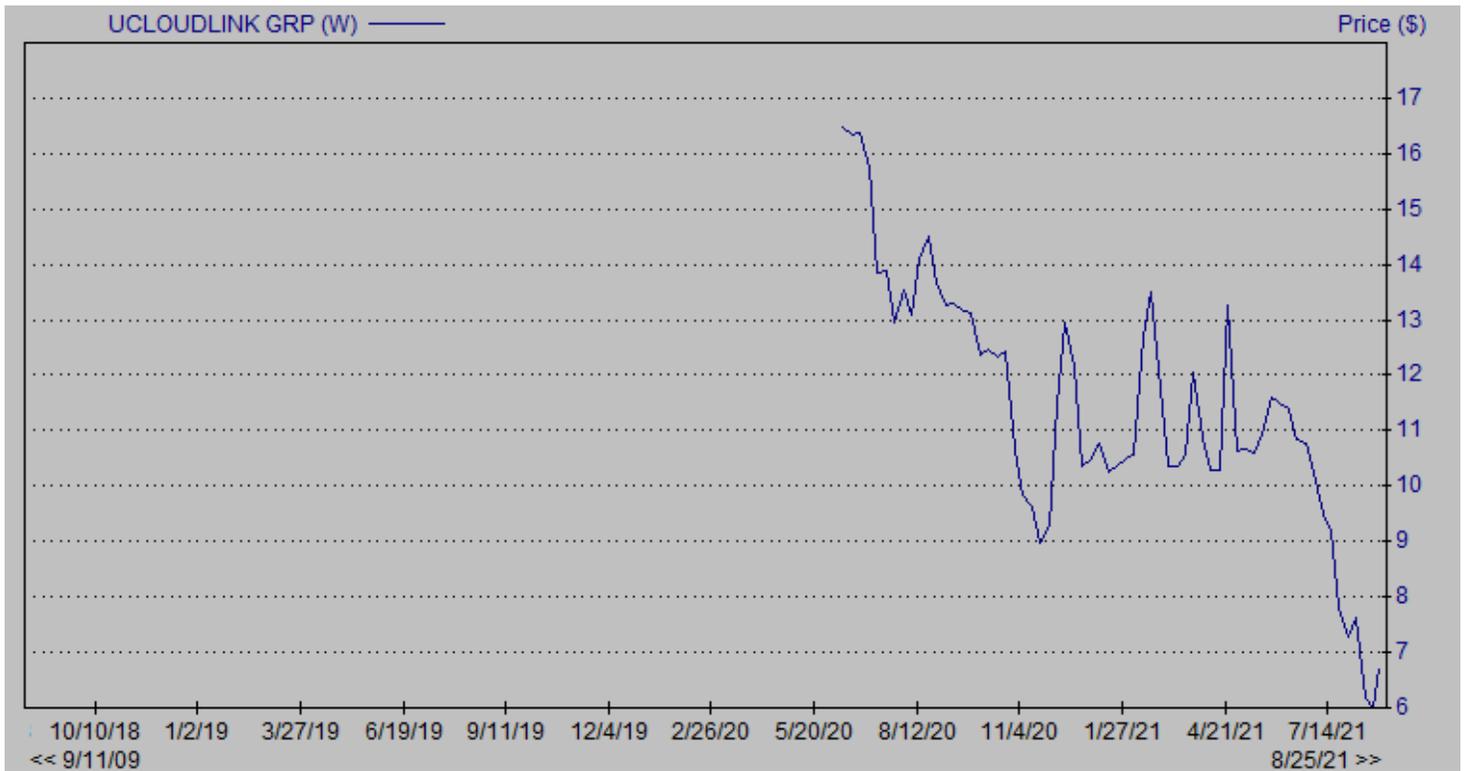
BALANCE SHEET

	June 30, 2021	Mar. 31, 2021	Qtr-Qtr % Growth	Jun. 30, 2020	Yr-Yr % Growth
Current assets:					
Cash and equivalents	\$ 18,381	\$ 24,715	-25.6%	\$ 27,447	-33.0%
Restricted cash	\$ 0	\$ 0	0.0%	\$ 9,689	-100.0%
Short term deposit	\$ 197	\$ 195	1.0%	\$ 196	0.5%
Accounts receivable, net	11,719	9,672	21.2%	12,874	-9.0%
Inventories	6,369	6,196	2.8%	6,739	-5.5%
Prepaid expenses & other curr assets	7,901	7,912	-0.1%	10,136	-22.1%
Other investments	14,950	16,321	-8.4%	14,004	6.8%
Amount due from related parties	1,237	819	51.0%	669	84.9%
Total current assets	60,754	65,830	-7.7%	81,754	-25.7%
Prepayments	1,716	1,918	-10.5%	684	150.9%
Long-term investment	1,614	1,538	4.9%	424	280.7%
Other investments	18,508	18,164	1.9%	17,100	8.2%
Property and equipment, net	2,320	2,571	-9.8%	3,805	-39.0%
Intangible assets, net	992	1,006	-1.4%	576	72.2%
Total assets	85,904	91,027	-5.6%	104,343	-17.7%
Current liabilities:					
Short term borrowings	4,782	4,895	-2.3%	4,218	13.4%
Accrued expenses and other liabilities	25,932	25,946	-0.1%	21,596	20.1%
Accounts payable	11,338	9,715	16.7%	10,529	7.7%
Amount due to related party	1,525	1,496	1.9%	1,003	52.0%
Contract liabilities	1,172	883	32.7%	1,614	-27.4%
Total current liabilities	44,749	42,935	4.2%	38,960	14.9%
Other non-current liability	292	306	-4.6%	0	NM
Total liabilities	45,041	43,241	4.2%	38,960	15.6%
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	227,897	226,325	0.7%	206,251	10.5%
Accumulated other comp income	3	286	-99.0%	554	-99.5%
Accumulated losses	(187,051)	(178,839)	4.6%	(141,436)	32.3%
Total stockholders' equity	40,863	47,786	-14.5%	65,383	-37.5%
Total liabilities and stockholders' equity	85,904	91,027	-5.6%	104,343	-17.7%
Current ratio	1.4	1.5	-11.5%	2.1	-35.3%
Quick ratio	1.2	1.4	-12.5%	1.9	-36.9%
Working Capital	16,005	22,895	-30.1%	42,794	-62.6%
Net cash	13,599	19,820	-31.4%	32,918	-58.7%
Debt	4,782	4,895	-2.3%	4,218	13.4%
Debt/TA	6%	5%	3.5%	4%	37.7%

CASH FLOWS

	Year 2019	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
Cash flows from operating activities:								
Net income	5,207	249	(41,617)	(9,665)	(12,382)	(63,415)	(15,357)	(8,212)
Adjustments to reconcile net income to net cash provided by operating activities:								
Provision for bad debt	175	254				2,794		
Impairment for inventory obsolescence	528	529				636		
Depreciation	2,954	588				2,174		
Amortization	90	21				94		
Gain on disposal of property & equipment	(353)	-				(375)		
Loss on disposition of intangible assets	-	-				-		
Interest expense	438	122				285		
Share based compensation	169	-	36,854	7,870	5,883	50,607	5,547	1,159
Fair value gains on other investments	-	-			(4,909)	(4,909)	-	
Share of loss in equity method investments	-	-				-		
Foreign currency exchange (gains)/losses	607	30				182		
Change in operating assets and liabilities:								
Accounts receivable	(9,311)	4,765				16,228	2,927	2,047
Prepaid expenses and other current assets	2,595	(3,273)				690	435	(11)
Inventories	974	632				4,036	349	173
Accrued expenses, AP and other liabilities	6,343	2,095				(9,273)	204	(14)
Amount due to related parties	(1,948)	212				481	(7)	29
Amounts due from related parties	(692)	414				(1,572)	(1,445)	418
Contract liabilities	(2,015)	56				(1,036)	(6)	289
Other non-current liabilities						335	(15)	(14)
Net cash used by operating activities	5,761	6,694	(2,773)	(433)	(5,526)	(2,038)	(6,708)	(6,143)
Cash flows from Investing activities:								
Purchase of property & equipment	(2,750)	(994)	(200)			(1,252)	(100)	(300)
Purchase of intangible assets	(84)	(24)				(482)		
Proceeds from disposal of property & eqt.	190	-				230		
Cash paid for equity investment	-	-				-	(200)	-
Cash paid for long term investment	(430)	-				(811)		
Proceeds from disposal of short term invest.	-	-			-	-		
Increase in short term deposit	(193)	(3)				(3)		
Purchase of other investments	-	-				(33,126)		
Net cash used in investing activities	(3,267)	(1,021)	(33,330)	(955)	(138)	(35,444)	(285)	(195)
Cash flows from Financing activities:								
Repurchase of Series A-1 shares	-	-	-	-	-	-	-	-
Repayment of other borrowing	(2,241)	(557)				(1,819)	(1,000)	
Proceeds from bank borrowings	8,953	592				3,674	2,200	
Repayments of bank borrowings	(5,184)	(284)				(5,074)	-	
Net proceeds from IPO	-	-	-	-	29,904	29,904	-	-
Proceeds from exercise of options	-	-				-	700	
Net cash provided by financing activities	1,528	(249)	27,712	(3,570)	2,792	26,685	1,896	(52)
Effect of exchange rate changes of cash	(375)	(248)	77	389	531	749	(414)	56
Net change - cash	3,647	5,176	(8,314)	(4,569)	(2,341)	(10,048)	(5,511)	(6,334)
Cash, beginning of quarter	36,627	40,274	45,450	37,136	32,567	40,274	30,226	24,715
Cash, end of period	40,274	45,450	37,136	32,567	30,226	30,226	24,715	18,381
Cash Flow	9,815	1,793	NA	NA	NA	(12,109)	(9,150)	(9,060)
Free cash flow	7,171	775	NA	NA	NA	(46,739)	(9,250)	(9,360)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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