

Tuya Inc. [TUYA]
First Quarter 2021 Earnings Conference Call
Thursday, May 13, 2021, 08:30 PM EDT

Executives

Reg Chai, Investor Relations, Associate Director
Xueji (Jerry) Wang, Founder & CEO
Yao (Jessie) Liu, CFO

Analysts

Kai Qian, CICC
Yang Liu, Morgan Stanley

Presentation

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by and welcome to Tuya Inc.'s First Quarter 2021 Earnings Conference Call. (Operator Instructions). We will be hosting a question-and-answer session after management's prepared remarks.

I will now turn the call over to the first speaker today, Mr. Reg Chai, Investor Relations, Associate Director of Tuya. Please go ahead, sir.

Reg Chai: Thank you. Hello, everyone. Welcome to our first quarter 2021 earnings call. Joining us today are founder and CEO of Tuya, Mr. Jerry Wang; and our CFO, Ms. Jessie Liu. You can refer to our first quarter of 2021 financial results on our company's Investor Relations website at ir.tuya.com. You can also access a replay of this call when it becomes available in a few hours on our IR website.

Before we start, please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions per the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the company's control, which may cause actual results, performance or achievements of the company to be

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All looking-forward statements are expressly qualified in their entirety by the cautionary statement, risk factors and details of the company's filing with the SEC. The company undertakes no duty to revise or update any forward-looking statements to reflect events or circumstances after the date of this conference call.

I will now turn the call to our first speaker today, Founder and CEO of Tuya, Mr. Jerry Wang.

Xueji (Jerry) Wang: (Speaking foreign language).

(Translated). Hello, everyone. I am the Founder and CEO of Tuya. My name is Wang Xueji, and thank you for joining us on our first earnings call as a public company. We're very pleased to report a 200% year-over-year growth in our total revenues, achieving USD 56.9 million for the first quarter of 2021. Revenues for our primary IoT PaaS business and our SaaS business both achieved over 220% year-over-year growth. We are very able -- we're very happy that we were able to accomplish all of these while continuing to improve our gross margin, which increased by 10.8 percentage points year-over-year to 41.1%.

Such robust results were driven by 3 main factors: first, we capitalized on strong global demand for IoT products and services; second, we cultivated sustainable growth in demand from our partners by empowering them with our innovative and scalable cloud platform to become leading IoT companies in their respective industries; third, we attracted a large number of new customers from various industries and broadened the range of industry verticals we serve by leveraging our reputable brand equity and the network effects of our Tuya ecosystem.

First, I'll go into greater detail about the demand recovery. During the quarter, more than 39 million smart devices were deployed with our IoT PaaS services, showing a strong growth of demand for IoT products. During the quarter, the global economy rebounded as COVID vaccine coverage improved in major economic regions around the world. Over the last year, forced closures and quarantines have instilled new habits of using smart devices at home. This led to a rapid increase in the number of registered smart device developers on our platform from approximately 260,000 at the end of last year to more than 320,000 at the end of the first quarter.

Furthermore, contactless services are becoming the new standard for many transactions in the post-COVID economy. For example, the demand for contactless check-in at hotels has grown rapidly. This shift in user habits is becoming increasingly prominent in the post-pandemic era and changing the way people work, study and entertain themselves. According to CIC, the worldwide IoT PaaS total addressable market is forecasted to grow at a CAGR of 18.9% to USD

171.7 billion by 2024. In addition, based on IDC's forecast data, the worldwide IoT software's total addressable market is forecasted to grow at a CAGR of 12.9% to USD 237 billion by 2024.

Next, I will discuss the sustainable growth in demand we have cultivated from our existing customers by delivering the best value possible through our innovative, highly scalable cloud platform. We enable customers to grow into IoT leaders in their respective industries. As a result, their demand for our services grow as they expand the number of products that they develop on our platform.

Our dollar-based net expansion rate for IoT PaaS was 210% for the trailing 12 months ended March 31, 2021. We have now surpassed the industry average for the sixth consecutive quarter since we began tracking the metric. We were also able to achieve this primarily -- we were able to achieve this primarily because of the quality and scope of our one-stop IoT PaaS products, which delivered tremendous value to our customers on the cloud platform.

Our customers can develop competitive and cost-effective products with very little R&D investment. We also enabled customers to expand into new product categories and geographic regions on our platform, which supports hundreds of thousands of product SKUs in over 200 countries and regions around the world. Our platform enables customers to upgrade their business models from a traditional sales-oriented business to a service-oriented IoT business.

A large number of customers on the Tuya cloud platform have developed into IoT leaders in their respective industries. As of March 31, 2021, the number of premium customers who contributed over USD 100,000 in revenue during the trailing 12-month period grew to 216 from 188 as of December 31, 2020. During the first quarter of 2021, 89 of our brand customers placed more than 5x the number of orders from the same period last year.

Next, I will give more color on how we leveraged our network effects of our Tuya ecosystem and brand reputation to acquire new customers from different industries. It is the general consensus for IoT brands that end-users need to have the ability to control multiple smart devices with one single application. Therefore, being able to connect with thousands of other brands on the Tuya cloud platform brings tremendous value to our customers. This network effect develops synergies between our partners and also creates significant barriers to entry for our competitors. The more brands we have on our platform, the more new brands want to join our platform.

In the first quarter of this year, we acquired over 600 new IoT PaaS customers, increasing the number of IoT PaaS customers by nearly 160% year-over-year. Meanwhile, we have grown the number of brands on our platform to over 3,000 from 2,700 brands at the end of 2020. More and more brands from various industries are recognizing the value of our platform and are developing their products on our platform.

Some of these customers include Danfoss, a Danish multinational air-conditioning and energy solutions provider; Möhlenhoff GmbH, a well-known German pioneer in heating and ventilation technology; Arçelik, one of the largest white goods producers in Europe with over 50% of market share in Turkey, and its sub-brand, Beko, being the second largest brand in Europe; Lock&Lock, a world renowned household kitchenware brand in South Korea; iHome, a healthcare and beauty electronics manufacturers with products in tens of millions of homes and millions of hotel rooms in North America; A.O. Smith, an American water heating and water treatment solutions provider with a multi-billion dollar market cap and 147 years of history; Jasco, an American home electronics company with 3,500 products sold in 85,000 stores across North and South America; Steck, a leading electronic brands in Brazil, offering over 50 types of electronics with industrial, commercial and residential use-cases; Wipro, an Indian IT giant with USD 40 billion market cap; Realme, Oppo's household smart device brand; Wonly Group, the largest security door company in China; Sinopharm Fuxin, a smart elderly care operator in China, which is a subsidiary of Sinopharm Group, China's largest pharmaceutical company and many more.

Meanwhile, we are seeing more regional retail channel leaders, including telecom operators choose Tuya's IoT PaaS services to empower their private brand smart devices. This includes companies such as ERAJAYA, the largest Indonesia retail chain store; Telkom, the largest telecommunication operator in Indonesia; Power, a well-known Nordic retail channel; Pearl, the largest mail order company in Germany and many more.

In fact, over the past few years, private labels from more than 40 leading retail companies in Europe were all powered by Tuya or as we like to say, “PBT”. Lidl, the largest food retail company in Europe is one such company. During the quarter, several top retail companies in North America have also chosen to be powered by Tuya for its private label smart products. Deployment of these products are expected to -- are expected in the fourth quarter of this year.

In addition to acquiring new customers, we also expanded our services to include entirely new product categories. Leverage -- leveraging the scalability of our platform, we grew the number of SKUs supported by our IoT PaaS segment to 310,000 by the end of the first quarter from 250,000 at the end of last year.

During the first quarter, we expanded into many new PBT product lines. Many international brands and OEMs have entered into trial or mass production of products, such as personal transport devices, including unicycles and scooters with annual shipments in the tens of millions. Digital appliances, including fast-charging devices and gaming light strips with annual shipments in the hundreds of millions.

Smart wearables, including watch, bracelets and smart wear with annual shipments in the billions. Sports and health products, including jump ropes, dumbbells, badminton rackets, rowing machines and treadmills, et cetera, et cetera. Industrial and commercial gateways and, finally, lighting products such as high bay lights and landscape lights. In the first quarter, we also developed a series of low power security products, such as low power doorbells, cameras, locks and more. This is also a category with very strong and consistent demand.

Above all, we are also developing IoT PaaS products for new energy, industrial and agricultural verticals. We'll share more details with everyone regarding these new verticals in the coming quarters.

The 3 primary factors were main growth drivers for our IoT PaaS segment. Next, I will share some updates on our SaaS segment. We started to launch SaaS services at the end of 2019 and – currently serve several segments, including smart communities and real estate, smart hotels and apartments, smart consumer security and smart commercial lighting. Our SaaS business is still in the early stages of development, and we continue to make great strides to improve and launch more SaaS products. In this segment, our biggest competitive advantage is the fact that our Tuya cloud platform has hundreds of thousands of global IoT developers. Our platform is neutral and open platform that can provide IoT SaaS customers with a varied selection of multi-branded hardware choices.

During the first quarter, we were actively working on version 1.0 SaaS upgrade for our smart community and real estate services to integrate multiterminal interactive entrances. After just a little bit over a year, we have joined the upper echelon of China's smart community and real estate SaaS service providers. We have now served many of China's leading real estate groups, including Vanke Group, Sino-Ocean Group, China Overseas Land & Investment, Kaisa Group, Sichuan Languang Development, Doyen International Holdings and Sundry Service Group. Our partnerships with China Overseas Land & Investment and Kaisa Prosper, both began in the first quarter of this year.

We also released a premium version of our smart hotel and apartment SaaS solutions in the first quarter of this year. The premium version expands our services from simple hotel room management to encompass hotel lobby and facility traffic management. The new version also supports energy management, a key focal point for most hotel managers. Tuya's smart hotel and apartment SaaS solution already powers 25,000 rooms in China. Now with the pandemic situation improving around the world, we have begun to enter overseas markets.

We also announced version 2.0 for our smart consumer security SaaS in the first quarter, upgrading the back-end into smart security service platform. Customers can manage multiple households or commercial devices through a unified portal. By creating a closed-loop data

connection between home devices and commercially managed security services, we're able to realize a standardized business interface with third-party security operators globally. Our smart consumer security SaaS has already received orders from a number of security operators in China and overseas, including Golden lock Safety, the largest store security operator in China.

Smart commercial lighting SaaS was launched in the second quarter of last year. In the first quarter of 2021, we launched version 1.0 of our smart commercial lighting SaaS, which has functions in smart construction, remote monitoring, energy consumption monitoring, operations and maintenance and more. Smart commercial lighting SaaS will promote the enhancement of commercial lighting business models, creating an unforgettable customer experience and substantial energy savings. For example, Xtep Group's three-story flagship store in Shenzhen used our commercial lighting SaaS to create a uniquely artistic shopping experience. Some gas stations have saved more than 40% in energy usage with our smart commercial lighting SaaS. Dozens of China's leading lighting companies, including NVC Lighting, Skyworth Lighting, and StrongLED, are all customers of Tuya smart commercial lighting SaaS. This segment also has many customers such as system operators in Europe, Hong Kong and more.

Our SaaS business is also showing early signs of high repurchase rates. Following its launch in late 2019, our hotel SaaS business welcomed its first group of contract renewals with a renewal rate of over 90%. Vanke Group, our first real estate SaaS customer and one of the largest real estate groups in China, signed a second-phase SaaS contract with us at the beginning of this year.

Sundy Service Group, our first smart communities SaaS customer and a top 100 real estate group in China, has signed a third phase SaaS service contract with us in February this year. This contract follows their first phase contract in August 2020 and second phase contract in October 2020. Going forward, we'll continue to polish our SaaS products and advance our gradual entry of various SaaS services into global markets.

Last, but not least, let me talk about the development of Tuya Cloud Platform system. Tuya Cloud Platform system is at the core of our pursuit to provide the ultimate user experience. In the first quarter, we continued to invest R&D resources in the construction of infrastructure for our cloud platform to ensure that we can maintain efficient product iteration in the IoT industry. Meanwhile, we have proposed a number of innovative industry solutions to provide basic capabilities for customers to quickly enter the market.

For example, in the first quarter of 2021, we launched energy-saving cloud products. By analyzing and predicting the energy consumption data of users' smart devices, we are able to provide customers with energy consumption monitoring, alert, remote energy management, operation and maintenance. We empower our customers across consumer, commercial and

industrial sectors by enabling them to quickly build a complete set of energy application product systems.

Moreover, we provide a healthcare service cloud product system for smart device manufacturers in the healthcare industry. In terms of cloud security, we have obtained 4 certifications, including the Cloud Security Alliance STAR Certification, issued by the British Standards Institution, an organization instrumental to the formation of the ISO and IEC.

Tuya is the world's first IoT cloud platform to hold these 4 certifications at the same time. We also successfully completed the Service Organization Control 2 Type II certification performed by E&Y in the first quarter. Our R&D capabilities and data security have always been essential to our growth strategies. As of March 31, 2021, our number of employees has increased to almost 2,900 from 2,258 at the end of 2020, 70% of which are R&D headcounts. This allows us to lay the foundation for our sustainable development going forward.

That concludes my prepared remarks for the first quarter. Now I will turn the call over to Jessie, our CFO, to review the financial details.

Yao (Jessie) Liu: Thank you all for joining us. Let me start by reviewing our financial results for the first quarter of 2021, and then I will discuss our outlook for the second quarter. Before I begin, please note that all amounts are in U.S. dollars and all comparisons are on a year-over-year basis, unless otherwise stated.

First of all, I'd like to highlight that our total revenue for the first quarter has beaten Street consensus estimate by approximately 14%. We achieved robust operational and financial growth in the first quarter. Our total revenue grew 200% to \$56.9 million. Such strong growth was mainly driven by the solid growth of our IoT PaaS revenue, which increased 227% to \$49.8 million. Several categories of our IoT PaaS-powered products achieved notable year-over-year growth, in particular, our revenue of IoT PaaS empowering security and sensor products grew more than 300%. Our revenue of IoT PaaS empowering sports and wellness products grew approximately 700%. And our revenue of IoT PaaS empowering education, entertainment and network portal products grew more than twentyfold.

I also would like to remind everyone that every year, there are seasonal fluctuations in our revenues and sales. Typically, we experience lower revenues in the first quarter, while the fourth quarter is historically our strongest quarter of the year. This is due to the operation patterns of our customers, global consumer electronics brands and OEMs.

Besides PaaS, our revenue from SaaS and others increased by 224% to \$2.3 million. Our brand-agnostic SaaS offerings continued to attract customers interested in increasing their efficiency and productivity in managing their businesses and smart device products. Our customer count for

this segment has increased by about 183%. Meanwhile, our non-core business, smart distribution revenue grew by 58% to \$4.8 million, driven by increases in customer purchases and demands.

Our gross profit increased by 307.4% to \$23.4 million, while gross margin improved to 41.1% from 30.3%. Our IoT PaaS gross margin increased to 41.7% from 30.5% a year ago, primarily due to 3 reasons: first, our increased economies of scale; second, our improved efficiency for IoT PaaS deployment achieved through effective R&D.; and third, our expansion into higher-margin IoT PaaS product lines. Our IoT PaaS gross margin has improved for 9 consecutive quarters. Our premium IoT PaaS customers were 216 for the trailing 12 months ended March 31, 2021, up 73% from 125 for the same period ended March 31, 2020.

During the first quarter of 2021, they accounted for approximately 86% of IoT PaaS revenue. Dollar-based net expansion rate for our IoT PaaS segment improved to 210% for the trailing 12 months ended March 31, 2021, from 173% for the same period ended March 31, 2020. The improvement reflects our strong ability to expand our platform usage over time and grow revenues from existing customers. Our dollar-based net expansion rate has been higher than 160% for 6 consecutive quarters since we began tracking it for the trailing 12-month period ended December 31, 2019.

Now turning to our operating expenses. Please note that we're excluding share-based compensation from our non-GAAP numbers to provide greater clarity on the trends of our actual operating-based expenses so that you can review performance in the same way as our management.

During the quarter, non-GAAP R&D expenses increased by 100% to \$30.9 million, primarily as a result of increased R&D personnel. As of March 31, 2021, the company had about 2,080 research and development employees, up approximately 93% year-over-year. As a percentage of total revenue, non-GAAP R&D expenses decreased to 54% from 81% a year ago. Continued investment in R&D talent is critical for our growth strategy and allow us to expand our product coverage, enhance our service offerings and widen our lead in the IoT industry.

Non-GAAP sales and marketing expenses increased by 74% to \$14.3 million, mainly due to increase in employee-related costs and marketing spending. The marketing spending includes costs related to hold events, like, the Tuya IoT Online Expo, an expo that connects brands, OEMs and other developers to explore business opportunities within the Tuya platform and ecosystem. It also includes costs for developer conference led by Tuya. Each developer conference attracts thousands of developers from different backgrounds to share their views on the latest IoT trends and development practices.

As a percentage of total revenue, non-GAAP sales and marketing expenses decreased to 25% from 43% a year ago. Non-GAAP G&A expenses increased by 124% to \$5.3 million, mostly due to team expansion, IPO-related expenses and increased the public company costs. We have hired and we'll continue to hire more professional and experienced employees to further improve our internal management. As a percentage of revenue, non-GAAP G&A expenses decreased to 9.3% from 12.4% a year ago.

In the first quarter, our non-GAAP loss from operations was \$24.5 million, while our non-GAAP net loss was \$23.8 million. Our non-GAAP operating margin was negative 43%, narrowing 62 percentage points from negative 105% in the same period of 2020. And our non-GAAP net margin was negative 41.8%, narrowing 57.6 percentage points from negative 99.4% in the same period of 2020.

The narrowing of operating and net margin is mainly due to the increase in our operating leverage as we achieved very strong growth while maintaining healthy margins.

Net cash used in operating activities for the first quarter of 2021 was \$32.7 million or 57.4% of revenue compared to \$31 million or 163.8 percentage of our revenue in the first quarter of 2020. The decrease in net cash using operating activities as a percentage of revenue was due to our rapid business growth and continued improvement in operating efficiency.

Moving on to the balance sheet. As of March 31, 2021, our cash, cash equivalents and short-term investments increased to \$1.22 billion from \$179.8 million as of December 31, 2020, primarily due to the net proceeds obtained from our successful listing. We believe this balance is sufficient to meet our current liquidity and working capital needs to support our strong growth.

Now turning to outlook. For the second quarter of 2021, we expect total revenues to be in the range of \$78 million to \$81 million, which has been raised by approximately 19% to 23% compared with Street consensus estimates. This forecast reflects our current and preliminary views on the market and our operating conditions, which are subject to change.

This concludes our prepared remarks for today. Operator, we are now ready to take questions. Thank you.

Questions and Answers

Operator: Thank you. (Operator Instructions). Your first question comes from the line of Kai Qian with CICC.

Kai Qian: (Speaking foreign language). So firstly, congratulations on the strong Q1 results for the management team. I have 3 questions. The first one is about the SaaS solutions. So we know like Tuya newly launched 9 verticals SaaS solutions in April. So could you give us some more color on SaaS business expense and planning for this year?

The second one about regarding the R&D investments. So what's the Tuya forecast on this year and beyond, and could we have a breakdown across the different segments include like SaaS and PaaS.

The third one regarding to Hillhouse acquired Philips domestic appliance business. So what's the synergy between Philips and Tuya regarding to the Hillhouse investment in the future?

Yao (Jessie) Liu: Okay. So first, let me take the first question about 9 industrial solutions. So Tuya has been always developing an open and neutral platform for all the industry developers. And we encourage developers, more than the home electronics, to join the platform to help grow the business, IoT businesses, beyond the consumer electronics, like commercial electronics, commercial IoT businesses, industry, agriculture, energy, health, entertainment. So that's why this year, we published the 9 industry solution to all the developers, and we will continue to invest R&D to provide better solutions for broader industries.

And this is beyond our SaaS, so our SaaS will still focus on the four businesses Jerry has mentioned. That's real estate and the community, hotel and apartment, commercial lighting, and the consumer security. So for the SaaS business, we expect we'll also benefit from the 9 industry solutions, and we still expect our SaaS business will have a very strong growth, continue the Q1 momentum, and for the long-term future.

Xueji (Jerry) Wang: (Speaking foreign language).

(Translated). So let me take the second question. In terms of the R&D investment and planning for this year, we are going to focus on several things. But before that, let me just reiterate the importance of R&D for our company. Since the inception of our company, we've always prioritized the development of technology because it is in our DNA to innovating the technology. And our company is an R&D-driven or technology-driven company, and that is why we are able to construct a high-entry barrier or a competitive moat in the past 7 years. That is because we've been deeply rooted in technology and R&D. And so going forward, we will continue to spend a lot in our investment in technology and product innovation.

Now, for this year, we are going to invest in 3 main aspects. The first one is our developers' R&D platform, which will continue to enable the R&D of hardware, and support the IoT app development and IoT cloud PaaS development. The second investment will be in the business expansion, especially in the auto and mobility scenario. Now, in the past, and as a result of the

pandemic, we were mainly focused on smart home scenario, and it has allowed us to actually grow our business in a very solid ground.

However, in the post-pandemic era, people are beginning to actually go outdoors and people are beginning to travel, and we saw a strong demand for this segment, so that is why we are building a new office with a team of 500 people in Shanghai this year, that are going to focus on this expansion. And we are going to invest in a lot of R&D that can empower this kind of business expansion.

And the third area of investment will be in actually what we call the ultimate user experience for the final users, and we call it actually the “6 plus N” experience. So this is -- basically, this is about solving the rigid demands of the market in terms of all of the needs that we observed from the market, including energy safety, efficiency improvement and entertainment and fitness, etc., etc. We are solving these “6 plus N” demands, and we hope that through this investments, we are able to continue to drive the profitability of our company and also expand our business. Thank you.

Yao (Jessie) Liu: So for the third question, Hillhouse was our primary shareholder prior to going public, and one of our cornerstone IPO investors. They have been very supportive of Tuya and have introduced many customers in their portfolio to us. And we also help Hillhouse portfolio companies to accelerate their business intelligence, and generate greater value through IoT. So Philips was already our customer before, and Hillhouse indeed did introduce a broader team of Philips to us. And we believe the cooperation with Philips will accelerate through the help of Hillhouse, and we should be able to support Philips to develop a wider range of IoT products in the future.

Kai Qian: (Speaking Chinese).

Operator: Yang Liu with Morgan Stanley.

Yang Liu: (Speaking foreign language). I will translate the questions briefly. Firstly, the first one, could management share about the rough split for revenue or volume among different categories, like lighting or electric or wearables and home appliance, etc. And what is mix outlook in the future?

The second question is IoT PaaS pricing strategy, especially in environment of chips shortage or rising price, especially after -- especially given the 2Q very strong revenue guidance, what should be the gross margin outlook for the second quarter?

The third question is that could management share about the investment focus or strategy for the newly-established IoT investment fund together with Hillhouse?

Yao (Jessie) Liu: Okay. Thank you, Liu Yang. So let me take all 3 questions. So first, so in the past 7 years, Tuya has been helping the developers and global customers to quickly expand their products. As all of our investors know, that when we started back to 2015, 2016, we started from lighting and electrical segment of products. And however, we have expanded into other product lines very quickly. As Jerry also mentioned, in Q1, we're expanding to more very interesting high-demand IoT products to support those new IoT products.

So back to 2018, for example, the IoT PaaS revenue contribution from lighting and the electrical segment, were close to 90%. But today, for example, in Q1 2020, the revenue contribution from lighting and electrical is now less than 60%. The home appliance, including large appliance, small appliance, and the kitchen appliance contribute more than 10% of IoT PaaS revenue. The security and the sensor segment on the IoT PaaS revenue contributes also more than 10%.

The remaining, which were quite fragmented, including for example, the health and sports, the education gateways, agriculture, energy, all those, a lot of new segments of the IoT products, our IoT PaaS, in part they also contribute more than 10%. So we believe in the long-term future, we will be more diversified. We'd like to make the IoT platform very flexible to support all the IoT devices that customers, including the individual customers, and the corporate customers' strong demand.

For second question about the pricing, so what happened in the chip industry this year in terms of the pricing and shortage has been once in a time in the last 30 years. So it is a tough time for the entire industry, for all the downstream industry has been impacted. So we have been working very closely and carefully with our partners, including our supplier partners and our customers.

So in terms of pricing, we will pass the increase from the chips to the downstream, but meanwhile, to work hard in terms of the R&D, in terms of the operation efficiency, to help to drop the cost as much as possible to help our customers to maintain a reasonable price for the end users. So we expect our margin will remain stable in the next quarter. And then also in terms of the supply, we will work very closely, continuously, and monitor the situation to ensure that our growth can be supported.

And the last question is about the funds. So we expect in Q2, we will finish the setup of the IoT fund and also building up the team. This IoT fund, the purpose of the IoT fund is to focus on both upstream, downstream of the IoT industry, and also the broad developer industry, to help the entrepreneurs in this industry to grow their business, and also strategically grow the IoT industry to be a bigger pie for all of us. So we will also build up an experienced investment team to carefully select the project on the entrepreneur team with high potential, so which help our partners, customers, suppliers, developers and also help Tuya to grow faster.

Yang Liu: Thank you.

Yao (Jessie) Liu: So this is all the 3 questions, yes.

Operator: Okay. Thank you. This is the end of the Q&A session. I'd like to hand the conference back to our management for closing remarks.

Yao (Jessie) Liu: So thank you again for joining our call. If you have further questions, please feel free to contact us or request through our IR website. We look forward to speaking with everyone in our next earning call. Have a good day.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect.