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Founder, CEO & Director

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Matt Ma

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Presentation

Operator

Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Tuya Inc.'s third quarter 2025 earnings conference call. (Operator Instructions)

As a reminder, we are recording today's call. If you have any objections, you may disconnect at any time. I will now like to turn the call over to Ms. Regina Wang, Investor Relations Senior Manager of Tuya. Regina, please go ahead.

Regina Wang

Investor Relations Senior Manager

Thank you, operator. Hello, everyone. Welcome to our third quarter 2025 earnings call. Joining us today are our founder and the CEO of Tuya, Mr. Jerry Wang, our Co-Founder and CFO, Mr. Alex Yang.

The third quarter 2025 financial results and webcast of the conference call are available at ir.tuya.com. A replay of this call will also be available on our IR website in a few hours. Before we continue, I refer you to our Safe Harbor Statement in our earnings press release, which applies to this call as we will make forward-looking statements.

With that, I will now turn the call to our Founder and CEO, Mr. Jerry Wang. Jerry will deliver his remarks in Chinese, which will be followed by a corresponding English translation. Jerry, please.

Xueji Wang

Founder, CEO & Director

Hello everyone, thank you for joining Tuya's earnings call for the third quarter of 2025.

In the third quarter, the external environment remained volatile, continuing the trend seen since the beginning of the year. The global consumer electronics industry experienced an uneven recovery, with customer demand becoming more cautious amid ongoing macro uncertainties. In addition, the high base from the same period last year created added pressure on year-over-year growth. Against this backdrop, our total revenue for the quarter reached approximately US\$82.5 million, marking our ninth consecutive quarter of year-over-year growth and underscoring the strength of Tuya's business model. Gross margin remained above 48%. These results further reflect the resilience of our business structure and the steady improvements we have made in product mix and operating efficiency over recent quarters.

In terms of profitability, supported by an improved gross margin profile, greater expense efficiency, and sustained scale leverage, our non-GAAP net margin reached 24.4%, while GAAP net margin was 18.2%. Notably, GAAP net margin expanded by more than 23.6 percentage points year over year. Overall, while maintaining key investments in business development, we have continued to optimize our expense structure, enabling incremental revenue and gross profit to translate more effectively into operating profit.

At the same time, on the strategic execution front, we continued to fully embrace AI and deepen its integration across our ecosystem. As of the end of Q3, smart devices equipped with AI capabilities accounted for 93.99% of total shipments, an increase from the previous quarter, demonstrating that AI is swiftly becoming the default configuration for smart devices.

On the user side, AI adoption is also scaling quickly. AI has clearly moved beyond single-category features like AI Voice to a broader spectrum of product categories. Tuya's AI Agent services now handle 155 million daily interactions for global users, supporting

diverse scenarios such as AI Note, AI Translate, AI Health, AI Energy, AI Pet Care, AI Trendy Play, AI Dimming, AI Security Guard, and AI Robotics. AI continues to penetrate a broader range of everyday devices and life scenarios, laying the foundation for larger-scale product innovation and long-term value creation.

During the quarter, we also began global beta testing of our new AI Assistant App with Tuya ecosystem users. Aligned with our “Smart Life, Smart Living” mission, we are currently developing a universal AI Life Assistant for global users, which is scheduled for official release at the CES show in the United States in just over a month.

Now let me turn the call over to our Co-Founder and CFO, Alex Yang, who will share more details about our financial performance and business progress.

Yi (Alex) Yang

Co-Founder, CFO & Director

Hello, everyone. This is Alex. I will now provide more details on our third quarter results. Please note that all figures are in US dollars based and all the comparisons are year-over-year based unless stated otherwise.

We delivered total revenue of approximately \$82.5 million in the third quarter, representing a 1.1% year-over-year increase. Despite a strong comparison base last year and continued caution in external demand, we achieved our ninth consecutive quarter of year-over-year growth, underscoring the resilience and stability in our business.

Within total revenue, our PaaS business delivered strong results, generating \$59.2 million, a 2.4% year-over-year increase, driven primarily by our strategic focus on customer needs and product optimization. In Q3, the number of PaaS Premium customers reached 280, further strengthening our core customer base.

In addition, fueled by growth in cloud software product revenue, the SaaS and other business showed consistent expansion, generating \$11.5 million this quarter, a 15.4% increase year over year. This momentum was driven by continued rise in installed devices and a high proportion of recurring revenue.

Revenue from Smart Solutions reached \$11.8 million. During the quarter, we strategically scaled back lower-efficiency projects and prioritized scalable, high-value solutions, such as AI energy management and spatial AI solution to further improve overall gross margin and cash-recovery efficiency.

From a regional perspective, in the China market, AI toys continued to show healthy progress in the third quarter. More than 50 customers, including brand owners, channel partners, and solution providers, the launched products powered by Tuya. Key product capabilities also continued to advance—such as multimodal interaction, long-term memory, and emotional expression—with a cellular-connected version coming soon. These improvements further strengthen the foundation for expanding into new product categories and regional markets.

In the European market, demand for AI-powered solutions such as AI cloud storage and AI energy-saving solutions continued to rise. At the same time, we added several new industry clients in the energy and HVAC sectors during the quarter.

In Asia-Pacific, deployments of the Cube, the privatized platform for several Southeast Asian telecom operators are scaling rapidly, with additional cities entering the delivery phase. The Singapore HDB (Housing Development Board of Singapore) project also progressed into implementation, with the first batch of hardware and software solutions delivered and installed.

In North America, AI-enabled products such as smart bird feeders continued to record healthy growth. The strong adoption validates the commercial potential of niche scenarios that integrate emotional value, frequent content interaction, and long-term subscription models, and underscores the structural growth opportunities for AI products in mature consumer markets.

In summary, despite pressures in the global consumer environment, Tuya leveraged its diversified product portfolio and strong software capabilities to achieve structural growth. These trends further strengthened our resilience against external macro volatility and uncertainty.

Moving to gross margin, our blended gross margin for Q3 2025 was 48.3%. Total gross profit reached approximately \$39.8 million, representing a 6.1% year-over-year increase. This growth was primarily driven by concurrent improvements in both our revenue mix and cost structure.

By segment, PaaS gross margin rose to 48.8%, continuing the upward trend from the second quarter of 2025. SaaS and Others maintained a strong gross margin of 70.8%, remaining above the 70% level. Smart Solutions posted a gross margin of 23.8%, slightly higher than last year's 23.5%. Overall, our Q3 performance aligned with our expectations and continued to reinforce the profitability foundation at this stage.

On the expense side, we continued to maintain prudent and disciplined financial management. Even as both our scale and profitability expanded, total operating expenses declined to \$36 million, down 34.1% year over year. GAAP operating margin improved significantly to 4.6%, and GAAP net margin increased 23.6 percentage points year over year to 18.2%. While ensuring that R&D investments in key AI initiatives and platform development remain intact, we continue to exercise strict cost control to balance growth quality with profitability.

On the cash flow front, operating net cash flow continued to grow steadily this quarter, reaching \$30 million—a 25.7% increase year over year. Our cash collection cycle remained stable and cash flow quality materially improved. As of the end of Q3, our net cash balance stayed above \$1 billion, giving us ample flexibility to balance shareholder returns, manage external uncertainties, and support long-term strategic investments.

Next, I'd like to briefly highlight some recent progress in our AI capabilities and developer ecosystem, which serve as a crucial foundation for Tuya's long-term growth.

As of the end of Q3, Tuya's platform had 1.62 million registered developers, representing a 23% year-over-year increase. AI adoption across smart devices also continued to accelerate. Commercial AI developers have collectively created more than 12,000 AI Agents on the Tuya platform, covering a broad range of smart product categories, including toys, pet products, electrical devices, home appliances, IPC, and wearables. Meanwhile, we continued to deepen and strengthen our AI developer ecosystem, anchored by TuyaOS, TuyaOpen, and the T-series AI development board.

On the open-source front, TuyaOpen has seen steady growth in both documentation and code engagement. Since the beginning of the year, the GitHub repository's star count has increased by about 80%. To date, over 2.3 million lines of code have been contributed to open-source projects. Beyond the rise in developer participation, the overall quality of the ecosystem is also improving significantly.

In summary, despite the prevailing external uncertainties, we still demonstrated strong resilience and operational agility, achieving solid financial growth and impressive profitability which steadily advancing the AI+IoT developer ecosystem across our core business segments.

Thank you all. Operator. We can begin with the Q&A session.

Question and Answer

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions) We will now take our first question from the line of Yang Liu from Morgan Stanley. Please go ahead, Yang.

Yang Liu

Morgan Stanley, Analyst

Thanks for the opportunity. I have one question regarding the business outlook. With more and more trade deals settling down in the international trade market, what is the business outlook going into fourth quarter this year, which is a peak season? And also, what is your early look for customers' demand going into 2026? Thanks a lot.

Yi (Alex) Yang

Co-Founder, CFO & Director

Thanks, Liu. I have to share three points. So the first one is that this year, we still see that would be the softened demand on the growth side. And because of the uncertainties in the global macro economy situations this year. And so this year, the Q4, we'll see that the regular promotion season will be kind of the softer versus the last year. So we will keep a closing eye to review that while we already have the stable turns across multiple countries, that's whether the demand will begin to return steadily in December. So that will be the short term.

And for 2026, what we see here is that, because like Jerry shared earlier before that all those kind of AI features and smart home portfolios become more and more inevitable trend for the entire sector, so which means that more and more consumers are already starting to familiar with these types of products that really become the beginning users of these types of things.

And all the major brands and the players, manufacturers in industries already starting to enter these sectors and bring that into their growth factors. So those types of trends will never stop. So for in 2026, we'll have a very positive outlook about the growth -- keep growing the entire business sectors.

And the third one I'd like to share is that by reviewing all the technology improvements in the past decade, and -- we'll review AI will be one of the booster that bring the IoT experience into next level. Because in the past, the smart home experience, it's majorly focused on the connectivity, some automation, and control. But while coming out with the AI capabilities, the user experience will come into a next level to more friendly; more easy to use and more smart. And so that's why we decided to provide a new AI system for Life, which connecting all the home scenarios for ordinary people and have more people be able to enjoy the smart devices experience. So that will lower another bar for the entry user.

So combine these three points together, in the short times, we'll see that 2025, there's still some uncertainty and pressure on that. But it's become more and more inevitable and become a default option for major brands and players there. And we're trying to bring the bar lower for more users who are not become the smart devices user as well.

So I think that will be the overall. It's very positive in the long term and cautious in short term. Thank you.

Operator

Thank you. We will now take our next question from the line of Timothy Zhao from Goldman Sachs. Please go ahead, Timothy.

Timothy Zhao

Goldman Sachs, Analyst

Great. Good morning, management. Thank you for taking my question and congrats on the solid results. I have two questions here. One is regarding the AI home agent that you just mentioned. Just wondering if you can share more color on the detailed specs and the use case of these AI agents that you are going to officially release at CES next month? And how do you think about the impact on the overall business of Tuya with this new product?

Secondly, it's about the AI overall impact on your PaaS and SaaS solution business. Just wondering, for example, for the segment growth this quarter, would you please break down in terms of by volume and by pricing? Has AI brought any positive impact on the full pricing of your product and services and also on the impact on the gross profit margin? Thank you.

Yi (Alex) Yang

Co-Founder, CFO & Director

Thank you, Timothy. So the first one is that, so we'll define this as an AI Assistant, so it's bigger than an agent. And because we think that if we review the life scenarios, even only for home, that you will find that you have multiple scenes you want someone to help you with. So this is AI assistant to come with multiple agents that can help you to do almost everything you need in a home. So that's the first one. That's how we designed this new assistant.

And the key value for that part will be in two things. The first one is that while coming on with the adoption of the GenAI app, including the GPT, including Qwen, et cetera, that you found that the AI can help you to do a lot of things, a lot of tasks on the software side.

But there is no assistant focused specifically on home. That's what you need for your home and how you want on taking care of the home. So for us is that we designed the different type of agents and capabilities focused on those scenarios, people want to interact, and people want to have a better life quality or easier life experience in home. That's the first one.

And the second one is that the key differentiation of this assistant from any generic assistant is that this assistant will naturally be able to interact with the physical scenarios through the hundreds of, millions of the powered by Tuya devices. So which means that we're trying to bring kind of the science fiction to come true, like the JARVIS in Iron Man's house, every people appreciate that. Every people, I mean, admire that. But there is no that type of JARVIS yet. So we want to create that type of experience for the global people. So that's how we define the key features and value for the user side.

And I think the -- what does it mean for the ordinary users? I think the key part is that right now, we found the smart devices is still kind of complicated. It became way more easier than 10 years ago, but still complicated to -- I mean, to learn, to use, to interact with by many non-users. I mean, for those beginners. So those barriers still there.

But coming out with through the assistance, so you don't have to learn to use the app anymore. And you don't even -- you just need to know how to speak, right? Like how you can tell your housekeeper to do something, how to tell a servant to do something. It's similar like the assistant, will be able to take the orders and to do all those complicated operation for you. So we believe that will lower the bar significantly for the new users for home.

And when we see that while the penetration of even smart home is still in a low digit. And by the word of the entry bar, we'll be able to open more doors for those new users, helping them find that the smart devices accessible and easy to use. So that's for the AI Assistant part.

And the second question is for the AI. And so first one is that this year, we consider as the first year of the AI device. So we are very happy to see that finally, our education to the market, to the developers, to the customers already starting to return some feedback.

So like the numbers we shared before, by end of the Q3, over 93.99% of the products we shipped this year have already been enabled with AI capabilities. So which means that my customers, my developers already very actively to try whatever AI features or capabilities they can provide through their devices, even their existing devices. So that's the first one.

So we really have a lot of innovative developers trying to try the ideas and try to educate end users and test end users' feedback. And that will be up very, very typical starting point for any new technology adoption. And so we really have that kind of scaled, test field to complete it.

And the second one is that we still provide the AI seamlessly through our three business models. So including the PaaS, including the solution, including the SaaS, right now, we have different type of AI offerings in different business model as well. So which means that for my customer side, on the procurement perspective, so they don't have to learn how they will be able to purchase something from Tuya differently. It's a similar like offering but come with different features. And maybe it comes with a different pricing, maybe not. So for that part, is that we try to open -- have almost all my customers default be able to try to bring AI into their existing products and solutions.

And through those seamless integrations into my existing business models, we believe that will help in two things. The first one is that coming on with the new feature set, and new feature set will bring new demand. So that will be able to speed up the penetration and adoption of the entire market. And we're looking forward to having the AI coming as a booster.

And the second one is that with some really new feature sets that we price that and that improve our GPM as well. But we're looking forward to having the GPM impact coming very soon because it's just in the beginning. So we try to promote the market. We try to be incubating the market in the beginning but not running really aggressively on the profitability side on that type of niche sector.

So that's the overall outlook, Timothy.

Operator

Thank you. Our next question comes from the line of Mingran Li from CICC. Please go ahead, Mingran.

Mingran Li
CICC, Analyst

Thanks, management for taking my questions. Congrats on the solid result, and two questions from my side. First is following adjustments of recent global tariff policies, could management share more color on the downstream or the recovery progress in the overseas markets, especially in North America?

My second one is that could management share the latest progress on the AI technology, particularly in terms of commercialization? Thanks.

Yi (Alex) Yang

Co-Founder, CFO & Director

Yeah. So the first one is that a couple of weeks ago that we get a temporary one-year terms between China and US, right? And so which means that all the merchants, importers right now, they have a stable cost level at a specific timing. And so that will be good things, at least we get some certainty.

But the promotion for this year will be pretty locked in. So those kinds of new terms will be able to impact for next year's demand. So we're looking forward to having that to be a positive impact.

And right now, on the customers and importer side, this deal kind of review what will be the tune for next years and we'd like to review what will be the turns out sell-throughs for this promotion season starting from this week, right, we'll have the Black Friday this week.

So we're looking forward to having more feedback on December, like I described. And while people already know that what cost they can get for next year over a year, and what will be the demand looks like. And then how they set the tune for the new projects and the new sell-in reordering. So that's the first one. So it's still under review.

And the second one is for the AI. I think that I already answered part of that to Timothy earlier for the earlier questions. So -- and the first one is that right now we're offering AI across almost all my categories. We have some generic AI capabilities that can work on anything, and we also have some differentiated vertical AI capability for specific type of the products.

But all those offering are seamlessly integrated into my existing three services the PaaS, the solution, and the SaaS. That's the first one.

And in this year's on the new device side, including the PaaS and solutions, we really see -- happy to see some breakthroughs into some new sectors like the toys and we shared that earlier last quarter as well. So this will be a totally new vertical categories come up with a large total addressable market scale size. And that we don't touch before and the IoT never get -- be able to enter that sectors. But coming along with AI so right now we'll open the door.

And in this year only, we're running three quarters only that many of the key players in the industry, starting from China, in the toys industry and already starting to cooperate with us, and in Q3, we're already helped the customer to launch a lot of the use cases to test the demand. And it turns out that the end users love it and so I'll say that trial sales for many of the customers works out. So we're looking forward to continuous to improve the experience and also the customers start to reordering and to running a new type of promotion classes or sales channels to scale it. So that's what we see that the AI open new doors. So that's the second one.

And then the third one is that not only upgrades on my existing categories and open new categories. So the third one we tried to open is the 2C experience. So we will be looking forward to using the new AI assistant to open all the new home users' doors, especially for those ones who still don't have any smart devices. They still consider that type of devices will be kind of complicated for them, so we're using our assistant to help them out. That's it.

Operator

Our next question comes from the line of Matt Ma from Jefferies. Please ask your question, Matt.

Matt Ma

Jefferies, Analyst

Hello. Good morning, management. Thank you for taking my questions. So I just have one question regarding smart solutions. So the smart solutions revenue declined by around 14% in third quarter. Just wondering what is the reason behind it? And then, could

management provide any growth outlook for the segment in 2026? And also, any thoughts on product category expansion going forward? Thank you.

Yi (Alex) Yang

Co-Founder, CFO & Director

Yeah. So I think the first one is that in 2026, we're looking to have a better year versus 2025 because we should have less turbulence for the macroeconomy side on the global basis. And so like I described that the customers right now in many vertical sectors, the customers already think that the AI features or AIoT features will become more and more default for them. So like some categories that every single new project they've been doing, they have to come along with the AIoT. So we become to take a larger portion in their pie. So that's the first one.

So we will see that the penetration will grow. I mean, for the overall industries, we continue to grow steadily, no matter what. It's only a matter of speed, which year will be the tipping point. And so that's the first one.

In 2026 and we keep closing eye and we think that we can share more colors around the second half of December, while the customers have more feedback on the end demand side. And while they're starting to set the tunes for 2026 because they don't like to run in a very conservative operation and base for a long time. They really running for 2025. So that's, I think, for the first one.

And the second one...

Matt Ma

Jefferies, Analyst

The second one is also regarding -- yes, it's also regarding smart solutions. So just want to understand what is our thoughts on product category expansion for smart solutions going forward.

Yi (Alex) Yang

Co-Founder, CFO & Director

Sorry, I missed one part. And so I think that for smart solutions, and we're very carefully looking for the expansion to new categories because we're already learning that business model for over 2 years. So I think for smart solutions, we still kind of focus on some strategically highly value categories. And for those ones that the AI can bring a total difference, like to bring some innovative idea to come true without the AI, it never exists and also to some categories that we're really helping customers to do a differentiation to help them out.

So usually, the solutions is the one we design for the customers for their flagship model. So that's what we put out. So right now, the solutions, the major categories will be the video and related multi-modeling capabilities, the control panels that's super comprehensive interactions on the touch panel side and including the gateways focused on specific scenarios and energy. So I think that for the middle term that we continue to put focus and scale those kinds of verticals unless we see some opportunities with the scalabilities in some new vertical categories.

Operator

Thank you. There are no further questions at this time. I will now hand the conference back to the management team for closing remarks.

Regina Wang

Investor Relations Senior Manager

Thank you, operator, and thank you all once again for joining us today. If you have any further questions, please feel free to contact IR team of Tuya. Goodbye and see you next quarter.

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