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EXECUTIVES

Reg Chai

Investor Relations Director

Xueji Wang

Founder, CEO & Director

Yao Liu

CFO & Director

ANALYSTS

Yang Liu

Morgan Stanley, Research Division

Timothy Zhao

Goldman Sachs, Research Division

Mingran Li

CICC, Research Division

Presentation

Operator

Good morning, and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Tuya Inc.'s Fourth Quarter and Full Year 2022 Earnings Conference Call. [Operator Instructions]

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

Reg Chai

Investor Relations Director

Thank you. Hello, everyone. Welcome to our fourth quarter 2022 earnings call. Joining us today are founder and CEO of Tuya, Mr. Jerry Wang and our CFO, Ms. Jessie Liu. The fourth quarter 2022 financial results and webcast of this conference call are available at ir.tuya.com. A replay of this call will also be available on our 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 corresponding English translations.

Xueji Wang

Founder, CEO & Director

Hello, everyone. Thank you for joining our fourth quarter and full year 2022 earnings call.

In 2022, we experienced our first year of revenue decline due to inventory destocking as consumer product end markets turned down after seven years of hyper-growth since inception. Our 2022 full year revenue decreased by just over 30% to \$210 million. In the fourth quarter, end-market consumption was sluggish, causing revenue to decrease by about 40% year-over-year to \$45 million. Notably, industry headwinds are placing greater demands on business execution, operational efficiency management, and team development.

We responded to macroeconomic adversity with a series of cost control and efficiency improvement measures. These measures spanned from product offerings to operating procedures to efficiency improvements, enabling us to sustain a 43% gross margin while narrowing the Non-GAAP net loss by 29% year-over-year from \$109 million in 2021 to \$77 million in 2022. Additionally, our Q4 non-GAAP net loss narrowed by 83% year-over-year to \$5 million from \$31 million. Net cash used in operating activities was about \$140 thousand in Q4 and \$70 million in full year 2022, which was down 44% compared to \$126 million in 2021. These improvements reflect our determination and confidence in the long-term growth prospects of the industry. We have also repurchased a total of over \$53 million shares in 2021, and then repurchased a total of over \$59 million shares in 2022.

In 2022, we sustained our commitment to a customer-centric approach and implemented a strategy to better focus on large customers. Notably, we formed our sales triangle system, a back-to-back customer acquisition and customer service system that combines our efforts in sales, solution architects, and customer deliveries, enabling us to provide targeted services to customers with diverse needs and allocate customer support resources more efficiently. As China started lifting COVID control measures, our management team and major department leaders quickly began visiting customers and participating in exhibitions worldwide. During the year, we acquired more than 1,100 new brand customers around the global, including notable customers such as Honeywell, Smartware from the

Netherlands, KOCOM from South Korea, boAt from India, Polytron, a home appliance brand under Indonesia's Tier One Foundation, and many more. Compared to the acquisition of over 2,000 brand customers in 2021, the 2022 customer wins reflected a recalibrated focus on the quality of new customers in our customer acquisition efforts. Our penetration rate is relatively good among a limited number of large scale global brand customers. We intend to partner even more with brands that are either large today, or have high long-term growth potential. We will leverage our technology leadership and our unique integrated upstream and downstream ecosystem to develop win-win relationships with customers based on their scale and influence.

We made tremendous effort to reduce costs and carry out efficiency management across many functions, such as refining R&D project, controlling cloud costs, managing marketing expenses and leads acquisition, travel and entertainment expenses, inventory, and fixed assets to improve our operating efficiency.

Additionally, in early July 2022 we completed our dual primary listing in Hong Kong, which further complemented our international business strategy. This move has strengthened our position in the international capital market and has also helped to provide better protection for our shareholders.

To better understand our business model, competitive advantages, and the competitive landscape, it is essential to have a comprehensive understanding of the events and trends shaping our sector since the COVID outbreak in 2020. Therefore, I will briefly review the past few years and then share our outlook.

During 2019 to 2021, by leveraging our strong software capability and robust platform-based delivery experience, we became the largest IoT development platform in the industry and benefited from the strong industry tailwinds. Our total revenues achieved robust growths during these three years, tripling from \$100 million in 2019 to \$300 million in 2021. In the second half of 2021, a supply-demand mismatch emerged in the consumer electronics sector due to the COVID-induced global inflation, rising shipping costs, and supply chain disruptions. This mismatch had a significant impact on business plans across the value chain, and was further magnified by the global events such as the Russian-Ukrainian conflict and energy shortages in 2022. Downstream inventory piled up throughout the industry, causing a harsh cycle of destocking under high inflation.

According to industry consultant CIC, global shipments of consumer electronics IoT products, i.e., smart home products, is expected to have decreased by 7% in 2022 versus 2021. Looking at upstream chipmakers to downstream brands and retail channels, everyone is struggling and adjusting. Our customers are increasingly conservative, resulting in low visibility into near-term demand trends. In the Q4 holiday sales season, Mastercard data showed that United States holiday sales of electronic products declined by 5.3% year over year, a significant weakening versus the 16.2% gain in the previous year.

After the end of 2022, we had discussions with many of our core brand customers and channel partners who told us that the retail market in Q4 remained very weak. Many brands adopted cautious sales strategies in the fourth quarter instead of aggressive promotions during the holiday sales season, as they may need to offer more discounts to stimulate consumer demand but this may only result in limited incremental purchases. At the same time, every discount represents a tangible loss to them. In this context, we need to provide customers with more valuable and cost-effective products and services. Based on our product augmentation strategy, which involves the development and release of more valuable, enhanced and integrated software and hardware product solutions, our overall average selling price of IoT PaaS has increased by about 11% year over year in 2022.

These challenges are leading other IoT players to rethink their positioning and transform their strategies. Technology giants such as Google, SAP, and IBM are reported to be shutting down their IoT services in 2023, while Ericsson may sell its IoT business in 2023. Furthermore, we have noticed that some private IoT intelligent service providers are seeking to sell their companies due to financial constraints. In contrast, we had a net cash balance of over \$950 million at the end of 2022. As an R&D-driven, asset-light technology company, we have no interest-bearing debt, bank loans, or any long-term asset capital commitments, reflecting our strong capital positions.

Taking a long-term perspective and looking at the industry landscape, we are confident about the future growth prospects for IoT. According to the comprehensive analysis of the data from Euromonitor, CIC, BCG and other well-known research institutions, the current penetration rate of IoT is only about 4 to 5%, a very low level, perhaps slightly higher in home and commercial uses. However, due to its “daily” attribute, although not as frequent or necessary as “clothing” or “food”, it will certainly continue to iterate and further penetrate people’s daily lives as economies recover and society grows. History shows that people always strive to create a better life through continuous competition and innovation. Once the penetration reaches a certain stage, it usually takes a period of time to reach the next breakthrough point for a qualitative change. EVs are a typical example. In addition, the IoT consumer electronics industry is also extremely fragmented, which is both a challenge and an opportunity to build competitive barriers.

Against a backdrop of emerging industry opportunities and a more favorable competitive landscape for us, we are primarily focused on three areas to navigate the industry cycles in 2023.

First, we are committed to our IoT developer platform model. We will refine our business model to drive the digitization of the consumer sector, the commercial sector and then the industrial sector. The essence of enterprise services is always ROI, and the fragmentation of the IoT sector can mislead enterprises to fall into a cycle of endless investment. Therefore, we leverage developer products and platform services to address the energy efficiency challenges in the long tail product categories, and as penetration rates improve, our capabilities to cover multiple categories, use-cases, and interconnections will become increasingly competitive.

Secondly, we will boost the growth and penetration rate of our key product categories through collaborations with upstream and downstream partners and ecosystem partners, continuous improvements in the organization and performance of our “sales triangle” system, and ongoing technology iterations of these key product categories. For example, in 2022, we assisted a leading North American electrical and lighting customer in reducing the development threshold of Matter. This allowed them to obtain Matter certification faster and solve all of their customer technology issues and high R&D investment challenges in a single stop. We synchronize the latest solutions and technological iterations from Tuya and CSA to our customers, and assist them in planning their product roadmap at an early stage. As a member of the CSA board of directors, we are well-positioned to collaborate effectively with our upstream and downstream partners to promote and streamline the implementation process of Matter products. Such capabilities enable us to help our customers seize opportunities, which will be a testament to the strength of our Tuya ecosystem.

The third one is technology innovation centered on our Cube Smart Private Cloud, which complements our existing IoT PaaS product system. Cube enables us to address the need for independent control over IoT platforms for large-scale conglomerates such as our Fortune 500 customers. In addition, Cube also allows customers to access the full range of capabilities of our IoT development platform to build out their IoT businesses faster with improved sustainability and value creation. In the past year, we won a number of top clients from different regions and industries and completed several major benchmark projects with Indonesia Telecom and China Gas Corporation. This year, Cube will continue to generate long-term collaboration opportunities with large key account global customers.

Finally, despite implementing many difficult measures this year, our long-standing core traditional product line still demonstrates strong resilience. Currently, structural and expense optimizations have not substantially affected customer support, service delivery, product development, or technology iteration capabilities in each product line. We are highly motivated by these encouraging results and our relatively lean operations. We are confident in continuing to pursue our goal of achieving breakeven as soon as possible as one of our top priorities while carefully nurturing and investing in newer potential product lines with strong value propositions, such as gateways, voice control products, outdoor travel products, consumer-level sensors, and non-consumer products with a balanced approach.

With that, I will now turn the call over to our CFO Jessie to provide everyone a closer look at our operating and financial performance.

Yao Liu

CFO & Director

That concludes the remarks by Jerry.

As I review our results, please note that all amounts are in US dollars and all comparisons are on a year-over-year basis, unless otherwise stated.

For the full year and the fourth quarter of 2022, our total revenue was 208.2 million and 45.2 million, down 31.1% and 39.6%, respectively. Within that, our IoT PaaS revenue was 152.9 million and 32.6 million, decreasing 41.5% and 47.4%, respectively. Please note that the Chinese Renminbi experienced significant fluctuations in 2022 and weakened against the US Dollar. At the start of the year, the exchange rate was 6.38 RMB to 1 USD, but by the end of the year, it had decreased to 6.96 RMB to 1 USD. As a result, the revenue earned in Renminbi converted to approximately \$8.5 million less than it would have if the 2021 average exchange rate had been used.

SaaS and others revenue in the full year of 2022 increased by 60.6% to 29.8 million from 18.6 million in 2021, sustaining a strong growth momentum. The growth was mainly driven by our continuous efforts in offering value-added services and various software products with strong value propositions for our customers. However, it is worth pointing out that we have implemented our customer-focused and key account strategy in 2022. As a result, we will be investing more resources proactively on high value customers. Due to this strategy, certain services, including specific value-added services such as OEM App and customization services, may experience a slower momentum compared to past quarters.

Our overall gross margin slightly increased to 43.0% in 2022 from 42.3% in 2021, demonstrating the resilience of our value proposition despite facing headwinds. Our IoT PaaS gross margin slightly decrease from 42.4% in 2021 to 41.1% in 2022, including a negative 2.4 percentage points impact caused by a 3.7 million accrued inventory allowance for certain slow-moving IoT chips and raw materials during the year.

Now, let's move on to our operating activities and the related expenses. Please note that we are presenting our operating expenses on a non-GAAP basis by excluding share-based compensation expenses from our GAAP numbers to provide better clarity on the trends of our actual operating-based expenses, so that you can review performance in the same way as our management team.

In the full year of 2022, non-GAAP total operating expenses decreased by 23.1% to 188.6 million from 245.3 million in the 2021. For the fourth quarter of 2022, non-GAAP total operating expenses were 35.5 million, down 46.4% year over year from 66.3 million in the same period of 2021.

At the end of 2022, as a result of our internal cost-control measures and resource realignment initiatives, we reduced our team size by approximately 47% to 1,835 compared to the end of 2021. This would result in an effect of direct financial savings of more than \$80 million a year. With our team restructuring and optimization, we paid a total of over RMB68 million in one-time additional severance payments and office lease termination and restoration costs in 2022. Excluding the impact of these one-time non-recurring expenses, we reduced our non-GAAP operating expenses in 2022 by approximately 27% compared to 2021. Additionally, the fourth quarter of 2022 also marked our fifth consecutive quarter with substantial decreases in our non-GAAP operating expenses. Q4 non-GAAP operating expenses were nearly 50% lower than the highest point in the third quarter of 2021. I will name a few examples of our initiatives here.

In 2022, we streamlined our R&D, improved our efficiency evaluation procedures, and implemented an upgraded value management initiative. Since then, around 100 major projects have been submitted and reviewed, covering areas such as core program upgrades, new program development, high-value revenue generation, and capability expansion. Projects from our core product lines such as gateways, central controls, and new energy will all undergo strict efficiency evaluation and review.

We successfully kept our cloud infrastructure costs within the expected range during 2022 and will implement a series of follow-up measures to encourage our R&D team to carry out technology iterations and structural upgrades for more efficient uses of cloud services.

On the marketing front, our finance team worked closely with our business divisions to institute multiple rounds of expense analysis. Together, we faced challenges and executed optimization and improvement plans. For several exhibitions where we built booths, our internal professional design team provided substantial support, among which the maximum reduction of budget cost of booth construction in a single event reached about 35%. We are also targeting companies in 2B software, enterprise services, and technology sectors as benchmarks, to set our marketing budget at an industry average level and to make every dollar we spend worthwhile.

In addition, we have raised the bar on our employees' business travel requirements. They are now required to provide clear explanations of the purpose, duration, expected outcomes of their trips, and undergo a review afterward to ensure that travel costs are creating value and not spiraling out of control. Additionally, every team leader is responsible for these outcomes.

One more case for asset management, we successfully disposed about 1,400 idle laptops saved from headcount optimization at a price two times their amortized book value, recovering millions of cash in RMB.

With that, our non-GAAP loss from operations narrowed by 15.6% to 99.2 million in 2022 from 117.5 million in 2021. Our non-GAAP net loss significantly narrowed by 29.4% to 77.2 million in 2022 from 109.3 million in 2021. Our non-GAAP net loss improved more than our non-GAAP loss from operations in the full year of 2022 mainly due to our interest income. In 2022, due to well-executed treasury management, we generated over \$22 million in interest income during the year, with nearly \$10 million in the fourth quarter alone.

We are fully committed to reducing costs and enhancing efficiency, which has significantly contributed to our ability to minimize losses, especially during periods of revenue declines, such as the fourth quarter of 2022. As a result of these initiatives, we were able to achieve our lowest quarterly non-GAAP net loss of 5.2 million since the start of 2019. Moving on to balance sheet and cash.

Inventory and accounts receivables, which are our main assets other than cash, sequentially declined quarter over quarter in 2022. These decreases resulted from our active effort to minimize operational risks such as inventory depreciation and credit losses as well as improve operating capital efficiency while ensuring business delivery as well as upstream and downstream cooperation. Our net cash used in operating activities for the year 2022 decreased by 44.0% to 70.7 million from 126.1 million in 2021, and by about 99.7% to 138 thousand for the fourth quarter of 2022 from 53.2 million in the same period a year ago, thanks to significant reductions in operating expenses.

Admittedly, the improvement in cash flow was affected by seasonal fluctuations in operating capital, nonetheless our cash flow significantly improved since Q2 2022 and is now at a much more controllable level. As of December 31, 2022, cash, cash equivalents, and short-term investments that were mainly time deposits totaled 954.3 million, up 8.4 million quarter over quarter, and down 111.8 million compared to the end of 2021, primarily due to operating cash outflows and 48.7 million in payments for share repurchases during the year.

As we look ahead, there are a few important factors to keep in mind. First, inflation remains high, and consumer sentiment continues to be weak and fragile. Additionally, we recognize that downstream players still need to make efforts to reduce their inventories. It is our anticipation that the industry outlook for this year to depend primarily on downstream destocking. If the downstream channels can destock smoothly and considering that 2022 was a low-base year, we may see a possible rebound in the second half of the year, assuming no other unprecedented events occur. Nonetheless, there are various factors that may lead to uncertainties, and accordingly, we remain committed to executing our determined strategies while continuously monitoring the market environment.

With that, operator, we are now ready to take questions. Thank you.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Yang Liu from Morgan Stanley. Please go ahead.

Yang Liu

Morgan Stanley, Research Division

Jessie you mentioned that the downstream demand will be the key to watch for a potential rebound this year. I would like to follow up on this. Could you please share based on your observation what is the overall inventory level at your core customer side and based on the feedback, when should we see the demand rebound this year?

Yao Liu

CFO & Director

As an upstream company, we won't be able to accurately predict the downstream inventory levels, including OEM, brands, and retail channels across the globe. However, as far as we know, we can share some information from both the market consumption and inventory aspects.

Starting with a bit more information on the consumer industry. Regarding US consumers, Jerry has mentioned the fourth quarter credit card consumption data that was not very optimistic. As for retailers, Best Buy, which mainly sells consumer electronics products, talked about the trend of a 15% decline in sales in November compared to October when it announced its Q3 performance at the end of November. For brands, well-known vertical leading brands such as iRobot and Arlo in the United States and others either experienced a decline in Q4 revenue or reported weak sales performance, even with increased discount efforts in retail channels.

In other typical consumer product verticals, such as smartphones, according to a report by Omdia, global smartphone shipments in Q4 2022 fell by 15.4% compared to the same period of last year. The top five global brands, including Apple, Samsung, and Xiaomi, all experienced different degrees of decline in shipments ranging from 13% to 29%. In China, COVID cases peaked between late November 2022 to early January 2023. This coupled with the Spring Festival holiday significantly slowed down economic activities in the country and had a substantial impact on electronic product consumption and overseas supply.

The news that offers some relief is that the warm weather observed across various parts of Europe this winter has partially alleviated the energy crisis. However, natural gas prices are still at a historically high level, and the current expectations in the consumption market remain subdued.

We are seeing similar regional trends from activations of smart devices on the end market. Since November last year, the US segment has been slightly down year over year, the China segment has continued to decline, the European segment has delivered a year-over-year growth rate of over 20%, and the remaining regions have a combined double-digit year-over-year growth rate.

In terms of consumer behavior, each consumer is weighing their options, especially considering the significant impact of inflation on necessities such as food, fuel, and accommodation. People may be interested in new technologies and trends such as VR and AI, but inflation and a weak economic environment have a significant inhibitory effect on discretionary spending. Therefore, purchasing products that have immediate practical value or high cost-effectiveness is particularly important for everyone. As such, consumers, brand owners, and retailers continued to adjust under high inflation to find a new balance point. In the first two months of 2023, we continue to see flat performance in the lighting category in terms of end-market consumption and activation, while there has been a rebound in electrical products related to electricity and energy savings. Sensor, security, and home appliance products have performed relatively stable year over year.

In terms of downstream inventory, the pace of destocking is mainly dictated by the retail channels. According to Morgan Stanley's research reports at the end of last year, inventory destocking in the first quarter of 2023 will move from the retail stores to the retail distributors. Brands are expected to return to a relatively normal inventory level around late Q2, followed by the OEMs in the second half of 2023. This is basically consistent with our estimation that we shared with everyone during last quarter's earnings call. After nearly two quarters of industry-wide destocking efforts in the second half of 2022, our brand customers currently have a variance in their perceptions. Some brands in certain verticals, such as small home appliances, believe that the inventory pressure has somewhat alleviated, and the supply chain sentiment is improving, resulting in a rebound in regional sales. However, we have a group of general brand customers who indicated that inventory pressure remains high and that they need to continue monitoring the situation.

The downstream consumption environment still isn't strong enough for everyone in the value chain to start placing their orders aggressively yet. As for OEMs, the inventory of some core OEM customers is still high. In fact, one of the customers with higher inventory level is still maintaining an inventory close to 40% of the annual procurement volume from us in 2021 when the upstream and downstream players were aggressively stocking up. However, customers currently are starting to perceive that the downstream is entering a more orderly destocking phase.

So in summary, market consumption varies widely by region with Europe performing relatively better while the U.S. has yet to see a rebound from our perspective. The pace of overall inventory destocking will be relatively slow in the first and second quarters. Additionally, due to the relatively higher comparison base in the first half of 2022, we expect the industry's performance in the first half of 2023 to remain mediocre. In the second half of 2023, if inventory destocking progresses smoothly as we all hope, the energy crisis improves, and inflation stabilizes and slowly declines, the overall industry may reach a turning point for recovery when compared to the relatively lower base in the second half of 2022 sales across the value chain. At that point, consumers and businesses may begin rebuilding their confidence.

That would be my answer to the questions. Operator, let's move on to the next question.

Operator

Thank you. Next question comes from Timothy Zhao with Goldman Sachs. You may proceed.

Timothy Zhao

Goldman Sachs, Research Division

My question is on the cost and expense side, as you mentioned that you have already done your jobs in cost control and expense control. I'm wondering could management quantify the impact on this year's financials and the profitability path for this year and into the next year.

Yao Liu

CFO & Director

Thank you, Timothy. In 2022, we implemented various measures to reduce costs, increase operation efficiency, and improve internal operations. The execution of these measures was undoubtedly difficult but firm. From an external perspective, the downsizing of our headcount each quarter may seem like frequent adjustments in response to dynamic changes in market conditions. Here, we can provide some additional insights.

Due to the unique model of our IoT development platform, we saw the inflation trend start in late Q3 2021 ahead of other software and internet technology peers in the market. We then stopped our team expansion efforts and began to develop an extensive organizational restructuring plan.

In 2022, we completed our strategic reorientation around our sales triangle, as well as the production and research upgrade centered on our Cube private cloud. These strategic adjustments included shifting the focus of our product lines and R&D efforts as well as changes in employee arrangements to fill each position with suitable candidates. We also restructured our value management and evaluation system for R&D projects to ensure the value of our R&D efforts. These processes were reflected in our phased team adjustments, with significant reductions in team size every quarter. However, our product R&D and service support functions remained stable throughout.

Currently, our expenses have reached a relatively reasonable level in the current business environment despite the increase in labor costs due to factors such as annual adjustments in salaries and social securities will offset some of the savings we made from downsizing our headcount. In addition, except for specific necessary professional service expenses such as certification, compliance, and legal fees, we will continue to adopt a more strict and cautious approach towards non-labor expenses such as marketing and travel expenses to ensure that the expenses remain in line with our targets. There is still much we can do to increase efficiency in terms of expenses. And we will continue this in 2023 and 2024 going forward.

On the other hand, it should be emphasized that considering the seasonal fluctuations in revenue, the situation will vary from quarter to quarter. Operating losses and net losses will fluctuate with changes in revenue and gross profit, and the net losses in quarters with lower revenues will be relatively larger. Overall, we expect a substantial reduction in expenses in 2023 compared to 2022. We also expect better operating cash flow in 2023 compared to 2022. We aim to achieve the goal of breaking even on a non-GAAP basis as soon as possible, as we have communicated previously.

So this is my answer to your question. Operator, please move to the third question.

Operator

Thank you. Next question will be from the line of Mingran Li with CICC. Please proceed.

Mingran Li

CICC, Research Division

Given your strong capital position with a high level of cash and short-term investments in several consecutive quarters, what's your future strategy for cash and have you considered using it to explore new application scenarios? And what is your investment plan?

Yao Liu

CFO & Director

Thank you. Now, we are committed to our conservative and cautious capital strategy, in order to maintain cash reserves for any unexpected risks. As of December 31, 2022, our net cash balance exceeded \$950 million, of which \$820 million is in fixed bank deposits with maturities ranging from six months to one year and some deposits' interest rates go as high as 6.5% annually. We collaborate with several large, very reputable commercial banks to manage our funds and strive to obtain the best deposit rates while ensuring the safety of our principal. In 2022, we achieved an interest income of more than \$22 million, which provided solid support to our overall cash flow.

Our strong cash position has made it easier for us to implement adjustments in our operations, support new businesses and investment, incubate new products, and safeguard our operational activities. We also use our cash to fund share repurchases within regulatory limits, as a way to reward our shareholders and demonstrate our long-term confidence in the Company. From August 2021 to the end of 2022, we have repurchased more than \$110 million in stocks. In addition, although the headwinds in the consumer sector and the stock markets led us to reassess our investment strategy for the ecosystem chain in 2022, we continue to track and monitor promising IoT companies, solution providers, and emerging industries. We are prepared for opportunities where we can leverage our capitals or other means to partner, integrate or consolidate these prospects at the right time.

In terms of exploring and investing in new application use cases, in 2023 we will continue to focus on two areas. First is acquiring and serving major high-value customers. Secondly we will focus on product lines with potential and strategic value. For the former, we will continue refine our private cloud products. We have already completed two benchmark projects for China Gas and Indonesia Telecom in 2022, and we will replicate these successful cases to serve other large groups across the globe. In addition, our value-added services, such as cloud storage, also have generated solid revenue in 2022, growing more than ten-fold compared to the previous year. We will continue to penetrate the top telecom groups in each region with our private cloud offerings and our software capabilities in cloud storage services, helping them build cost-effective IoT platforms and sustainable revenue-generating customer operations.

In terms of product lines, in categories such as gateways, central controls, and others, there are both consumer-grade and commercial-grade specifications. We also see the future market potential of products with increased integration with software as its core. Our revenue from gateway and central controls products also grew by more than 80% in 2022. Aside from consumer products, some commercial and non-consumer devices that can meet professional needs have more technical barriers and higher unit prices. For example, our community industry edge gateway products with increased integration are priced at more than RMB 10,000 per unit, with a gross profit margin of around 70%, while simpler hotel commercial gateways can achieve unit prices ranging from less than a hundred to a few hundred RMB. Of course, we will also continue to strengthen the capabilities of other consumer-grade product lines.

Overall, we will maintain a consistent investment pace to align with both our product management and market demand plans, while also ensuring it is in line with our existing organizational structure. Our priority is to achieve profitability as soon as possible.

That will be my answer to the third questions.

Operator

There are no additional questions at this time. I will now hand back to the management team for any closing remarks.

Yao Liu

CFO & Director

Thank you again for joining our call. If you have any further questions, please feel free to contact us or request through our IR website. We look forward to speaking with everyone in our next earnings call. Have a great day.