

# Table of Contents

Call Participants	.....	2
Presentation	.....	3
Question and Answer	.....	7

# Call Participants

## EXECUTIVES

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*Founder, CEO & Director*

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**Timothy Zhao**

*Goldman Sachs, Analyst*

**Kai Xiao**

*CICC, Analyst*

**Matt Ma**

*Jefferies, Analyst*

# Presentation

## Operator

Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Tuya Inc.'s second 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 second 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 second quarter 2025 financial results and webcast of the conference call are available at [ir.tuya.com](http://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 second quarter of 2025.

Let me start with a brief overview of our performance in the first half of 2025, Tuya generated revenue of approximately USD 155 million, representing about 15% year-over-year growth. Revenue in the second quarter reached around USD 80.1 million, an increase of 9.3% year over year. During the quarter, global trade uncertainties intensified with US tariff policy significantly disrupting the global discretionary consumer electronics industry. As a result, downstream retail channels, brands, importers, and exporters delayed or adjusted their ordering pace and planning. Nevertheless, Tuya remained resilient delivering positive outcomes across multiple fundamentals, including revenue growth, gross margin, and profitability, as well as AI products and ecosystem development.

In terms of profitability, we maintained a blended gross margin of around 48% for both the second quarter and the first half, with all three business segments achieving stable gross margin, both sequentially and year over year. On the operating profit side, despite the seasonal softness in the first half and global external challenges, we still achieved a 10% non-GAAP operating margin and a 25% net margin. Notably, non-GAAP operating profit grew approximately 127% year over year, highlighting the operating leverage embedded in Tuya's business model, which remains sustainable even in a complex environment.

Opportunities and challenges from both AI adoption and the global trading environment are driving higher market penetration, while also encouraging our developer platform to deliver high value and next-generation AI experiences. As of the end of the second quarter, the number of global developers on our platform has reached over 1.51 million. We will remain committed to long-termism, leveraging initiatives such as Tuya Open and our AI agent development platform to broaden access to AI developer tools and build a business ecosystem that supports Tuya's and the industry's long-term growth.

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 second quarter results. Please note that all figures are in US dollars and all the comparisons are year-over-year based unless stated otherwise.

Let's start with the financial performance. In the second quarter of 2025, Tuya delivered revenue of about USD 80.1 million, representing 9.3% year-over-year growth. By segment, PaaS leverage its diversified product ecosystem to capture essential consumption demand in home appliances, delivering year-over-year growth of 7%. Smart solutions, supported by focused hardware offering and differentiated solutions tailored to various customer segments, withstood macro pressures and achieved year over year of 16.7%. SaaS & Others revenue was about USD 11.1 million, up 15.6% year over year, driven by the continued increase in recurring revenue, which exceeded 60%[Correction] in Q2.

From a regional perspective, leading long-term customers in Europe achieved a double-digit growth in niche categories such as the ambient lighting and home appliances, including air conditioners and air fryers. New customers included a top Turkish solar storage companies and leading HVAC manufacturers in Austria and other regions, too, who began cooperation on energy saving product lines.

In Asia Pacific, various rollouts progressed as expected. Several Southeast Asian telecom customers, starting with the Cube platform deployment entered the larger-scale delivery phase, while smart home and real estate projects in Singapore advanced into implementations, contributing meaningful revenue across both hardware and software in the now quarter and the future.

In North America, our flagship AI solutions, the Smart Bird Feeder, saw strong momentum and demand, reflecting consumers' sustained willingness to pay for emotional-driven experience by AI. In China, AI Toy solutions garnered positive feedback in Q2 with plans to expand IP collaborations and target diversified audiences.

Admittedly, ever since shifting tariff policies introducing global trend uncertainties, stakeholders across the discretionary consumer electronics value chain have been acting in their own interest, significantly pressuring off-line retail system overseas.

Nevertheless, Tuya's diversified products ecosystem and software technology capability enabled us to take targeted approaches to withstand these pressures, demonstrating our structure resilience.

On margins, Q2 blended gross margin was 48.4%. PaaS gross margin reached a historical high of 48.7%, while Smart Solutions and SaaS & Others delivered gross margin of 22.5% and 72%, respectively. Considering that Tuya's gross margins reflect the outcome of a platform-based business model combined with a rich hardware ecosystem, Q2 margins were aligned with our management expectation. Maintaining stable, robust margins is the foundation for achieving strong operating leverage.

On the expenses side, we maintained disciplined execution. Since early 2024, after right-sizing our team, we have managed to meet operational needs—including upgrading AI capability, increasing investment in R&D cloud and AI technology, building our AI developer community, and hosting creative events—while keeping non-GAAP net operating expense stable. So we have remained across USD 30 million per quarter for six consecutive quarters.

Additionally, in May, we achieved a decisive victory in the frivolous class action lawsuit initiated in 2022, successfully defending the rights of Tuya's stakeholders. This also marked as a conclusion for the related expenses and eliminated further risk for potential losses. As a result, our operating leverage improved significantly, and we delivered nearly an 11% non-GAAP operating margin in Q2.

On net profit, we achieved a 25.1% non-GAAP net margin and a 15.7% GAAP net margin in Q2, with GAAP margin expanding over 11 percentage points. While interest rates cut absorbed part of the net margin increase, this was offset by a decline of over 50% in our accounting share-based compensation expenses, further unleashing accounting profitability.

In terms of cash flow, we generated strong operating cash flow of over USD 18 million in Q2 and paid out our second cash dividend of about USD 37 million. Net cash balance stood at just above USD 1 billion at the quarter end. Looking ahead, we will continue to explore ways to deploy excess capital to support our business.

Next, let me share the quarter's updates on our AI developer ecosystem. So Tuya has always been at the forefront of the AI hardware and application deployment, and we remain fully committed to advance the AIoT ecosystem. So our goal is to continually lower the development threshold of AI devices products and promote their broader AI innovations and adoption.

So first of that, let me highlight two data points. As of June 30, 2025, 93% of Tuya's shipped products categories were equipped with AI capabilities. Meanwhile, Tuya's AI developer platform delivers AI agent services that supported 150 million AI interactions per day globally across scenarios such as AI Note, AI Translate, AI Health, AI Energy, AI Pet Care, AI Trendy Play, AI Dimming, AI Safety Guard and AI Robotics.

So in line with this, we've also seen strong enthusiasm and rapid expansion across our developer ecosystem infrastructures. Over the past quarter, many AI developers activated TuyaOpen cloud services and commercial AI. Developers collectively created 9,372 AI Agents across categories, including toys, pet, appliances, electrical devices and securities.

These numbers reflect the growing penetration of AI into households and industrial smart devices. The TuyaOpen open-source community also gained strong traction across Discord, Reddit, WeChat groups, and other platforms, our global developer base surpassed 27,000 for the AI stuff, with documentations reaching 55 countries and regions, open-source code contributions exceeded 2.3 million lines, and the core contributors steadily emerging as the ecosystem scales.

While driving developer engagement, we also emphasize co-creations within the ecosystem. Since Q2, we have partnered with ecosystem collaborators to host multiple hackathon events across online and offline channels, generating hundreds of maker AI hardware prototypes with the commercial potential.

These events spanned universities, embedded engineer communities, maker spaces, incubators, cloud developer communities, and cultural/IP developer groups—continuously exploring ways to bring AI into millions of households worldwide.

For example, in late July, we co-hosted the mega hackathon AdventureX 2025, attracting over 800 young developers and makers globally. Over five days, participants created a range of original projects through teamwork and collaboration, which drew enthusiastic feedback from developers and broad media coverage, reaching over tens of millions of people.

More importantly, we are exploring pathways for maker projects to commercialization. For example, the community-initiated Otto robot project has entered commercialization, with distribution partners fueling its marketing and promotion. It is also driving adoption of Tuya's T5 development board across the developer ecosystem. Another category of AI pendant products, which won awards in hackathon competitions, attracted interest from celebrity agencies and the consumer market, drawing

incubation attention from multiple commercial partners. In addition, our collaboration with the Openedv community is bringing AI hardware development into university and embedded developer curricula, enabling developers to practice AIoT applications during their studies.

So looking ahead, we'll continue our effort in two directions. The first one, further lower the threshold of AI developers, leveraging the Tuya's AI developer platform, AI agent platform, AI coding tools and scenario-based teaching to help more developers to get started quickly with AI hardware development.

Secondly, accelerating the commercialization of more AI hardware innovations through collaborations within the developer community, co-creation mechanism and ecosystem partners to bring excellent products to market and create commercial opportunities.

So to conclude, while we faced macro challenge in Q2, the company maintains a strong profitability in the first half of this year and made solid progress in smart solutions, AI devices, and developer ecosystem. Looking ahead, we remain focused on the long term, executing three major growth strategies to offset near-term macro challenges, while strengthening our foundation for sustainable growth.

So the three major directions will be the: first, we'll continue deepening relationship with the core customers. We will meet the different needs of both new and long-standing customers with differentiated approaches, providing tailored product solutions and the technical support to help them to maintain competitiveness in their respective market.

Second, we'll boldly seize regional opportunities. In Europe, we will focus on high-demand categories such as AI-driven energy savings and air conditioners; in Asia-Pacific, we will promote smartification of residences, buildings, and campuses through integrated AIoT platforms combining hardware and software; in North America, we will focus on consumer scenarios exhibiting strong willingness to pay, such as pets and ambient entertainment; and in China, we will deepen partnerships with major companies, gradually build consumer awareness through e-commerce, and pursue industry penetration via real estate group channels.

Third, we will accelerate AI innovation among developers, covering new AI-driven hardware applications as well as Agents intelligence building on hardware, driving the industry-wide shift of the smart products towards the AI Agent-enabled hardware.

And finally, based on our current financial performance, our Board has approved a cash dividend totaling about USD 33 million. Regular dividend payments reflect Tuya's commitment to returning value to the capital markets and our shareholders. They also underscored our enduring confidence in the company's industry prospects, products portfolio, competitive positions, and long-term growth potential regardless of the market conditions on the market side.

So thank you all. Operator, I think that's all we'd like to present today. 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*

Two questions from my side. The first one is regarding the growth outlook given the changing global trade environment in second quarter and the third quarter, what is the management expectation of the business growth going into the third quarter or the rest of the year? Should we see some acceleration in top-line or the PaaS shipment growth?

The second question is regarding the FX impact. Could the management update us what is constant currency growth for top-line in the second quarter, and to help us to understand what is the FX impact to the P&L?

## Yi (Alex) Yang

*Co-Founder, CFO & Director*

Yes. So I'll answer the first one. So yes, for Q3 and the rest of this year, we'll see that the uncertainty on the tariff situation continues, because till now, we still don't have a conclusion - we don't have the agreement between countries. So the rest of this year, we'll see that consumer electronic categories' recovering right now is still under pressure.

And also, for Q2, the first shipment of those products that have been tariffed and we will have to address the demand for these products to be sold, but the retail products tend to impact this. So we will have to keep a close eye on what the end-demand reflection will look like.

And as far as we know that right now for the major retailers for the North America and the brands, and the importers, and manufacturers. They all have the concern that the demand we're trying to have the risk of the decline after the retail price rising.

So this year, we have already seen that for the promotion seasons like Christmas, Black Friday, Back to School, as well as all the new product planning, promotions, and forecasts, these buyers have already shown this concerned mindset, instead of being too optimistic.

Some orders have shift from the higher-value smart products to lower-value. entry-level products. And even including Europe, that they have the same type of uncertainty as well. So those kinds of parties, they're not too optimistic. So they are very proactive in reviewing all the reflections from the end users dynamically in the very short term.

And also, we are facing a very long supply chain. So from the core components to the manufacturing, to the international logistics, and to retail, we have more challenges in the supply chains, and we have more noise from the uncertainty.

Typical stuff is that while the retail prices are under pressure to rise. And then so from the retailer side to the importer side, to the brands, and to the manufacturers, all parties are renegotiating how to address these kinds of rising costs. And this kind of negotiation across multiple roles, multiple entities takes longer. So what we see is that in the past couple of months, those kind of negotiations took place and didn't end.

A typical example we've seen is that for off-line retailers and e-commerce platforms, these price impacts and related effects are very direct. For instance, among some of the robotic vacuums, we can see here is that some of the fast-growing robotic vacuum brands from China have seen a sharp decline in gross margins and profits. That's kind of because of the tariffs and the impact of bargaining pressures.

So for Tuya, what we see is that the tariff impact exists, and also in the same time last year, we did quite well for the energy saving incentive program in France and that incentive policy has been scaled back a little bit. And so what we see is that for Q3, yes, there is still pressure, but it should be getting better in Q4. So that's for the first question.

As for the second question, yes, there is some pressures on currency as well. But right now, what we see is that the currency situation is relatively stable. So there's pressure, but it's under control. That's all.

**Operator**

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

**Timothy Zhao**

*Goldman Sachs, Analyst*

Great. Congrats on the very solid results. Also two questions from my side. One is really on the competitive landscape in the AIoT PaaS segment. Just wondering how much you can see the competitive advantage when I think the whole industry is moving from the traditional say, IoT PaaS to IoT and what are our ways to maintain that kind of competitive advantage globally?

Secondly is on your shareholder return policy. I think it's very pleased to see the dividend declaration announcement from this quarter. Just wondering if Management can provide us more structural way in terms of understanding the shareholder return policy for the years ahead.

**Yi (Alex) Yang**

*Co-Founder, CFO & Director*

Yes. Thank you, Timothy. So for the first one, what we see is that we are doing a lot of things to drive those developers from the traditional IoT applications into the AI applications.

As I mentioned earlier, we're doing a lot through different webinars, trainings, and events to gather all those kind of ideas and innovative plans from the developer, while exploring how to integrate AI into new user experiences.

And A piece of data I already shared is that for the first half of this year, over 93% of the products that have been built on the Tuya platform for the first half of this year already come with AI capabilities. So we're already achieving quite good penetration in integrating the new AI feature set into the existing Tuya developer ecosystem and the existing customer base as well. So that's the first one.

But we'll continue to do more because a very exciting opportunity we see is that through AI technology, this technology will be able to cover more product categories. And so like the toy, like this kind of emotional-driven entertainment, so without the large language models, these types of products did not exist, and we couldn't see the opportunity to make them more engaging. But right now, it is. So we'll continue to do that to encourage more of our existing developers to start trying out the AI feature set, understand these kinds of AI technologies, and exchange creative ideas. So that's one thing. And also, another thing is that when we identify these kinds of

great ideas or prototypes, we use our networks and marketing resources to incubate them and help our developers commercialize them. So that's what we continue to do.

And we're looking for to have more, I would say, AI essential applications be built out in the future for the long run. And so that's one.

And the second part for the dividend or for the shareholder return. So like we said for the two quarters before, we will consider dividends as a regular policy or solution for shareholders' returns, in addition to other measures. And the dividend will be based on the stable profitability of the company, the stability of our business model, steady growth, and very healthy net operating cash flow. So our dividend will be based on that, and we're offering as a regular solution for the shareholders. That all.

**Operator**

Thank you. We will now take questions from Kai Xiao of CICC. Please ask your question, Kai.

**Kai Xiao**  
*CICC, Analyst*

Okay. And I have two questions as well. My first question is on your gross margin. So with this quarter, your gross margin has steadily expanded with margin, in particular, is rising fast. So my question is what are the key drivers for the gross margin going forward and in particular, how would the AI-related revenue affect your overall gross margin mix. So that's for the gross margin question.

And my second question is on the SaaS and smart device solutions. So could you share the primary growth engines for the two sectors? And what's your outlook going forward?

**Yi (Alex) Yang**  
*Co-Founder, CFO & Director*

Okay. So the first one, I think that the gross margin represents I think the competitiveness of the technology to provide and also the value proposition for us in the entire industry.

So right now, all the customers have already seen our gross margin. As a public company, our gross margin is publicly available. But they continue to satisfy with what we're offering, no matter whether it is in the technology, in the services, or in what we can offer to help them transition from a legacy device maker into a smart device maker, from a device reselling business model into more like the software services, AI services-based recurring model.

So I think the gross margins will print that. And for us, is that we manage the three business models separately. So for the PaaS, we're offering. So we're satisfied with the gross margin range so far. And for the SaaS, the key part is that it's a regular software based. So gross margin above 70% will be regular based. So we're not looking forward to push that up like into 80% or 90%, because that's not realistic. But we're looking to scale that faster. As you can see, starting from Q2, we have really seen that SaaS grow faster than PaaS and because we're starting to acquire or transit more end users to those kind of SaaS offering as a premium feature as a recurring model. And we have more stickiness on the recurring side. So that's for the SaaS.

And for the solutions, we're looking for the long run, is that because it's software and hardware combined and essentially has an increasing portion coming from the hardware side. So for that part is at above 20% of the gross margin for the solutions already represent that taking a higher value proposition for that part. And so I think that's what we're looking for to see that to maintain above 20% gross margin for the solutions is what looking forward to come around with scalability.

And I think that's the key part. So we feel comfortable about the current position so far, because we really take the higher values on the existing work we have in the industry. So we continue to push more scalability. I think that's for that part.

And the second part is about the solution, right? And so I think for the solutions on the strategy side, is that the solutions are not open for everyone currently. So the solution will more focus on the key customers or the top tier customer in the firm perspective market, either in their own region or in their own vertical industry.

So the solutions are providing differentiated and the offerings for those customers to help them to provide a higher-value products to the market. So those key customers, either they have a better position that they can offer in a higher pricing products or they have a better position to provide a differentiated production. So we were not facing very brutal competitions on the commodities. So we don't offer the commodities. So I think that's the first one.

And then, through that part, we are kind of working along with those key customers, to create a product roadmap for the next 6 to 12 months. And then we kind of become the key suppliers for all their most advanced products or flagship products for the long run.

So I think that's what we our driving forces for the long term. So the more we start to deliver for those customers, the more opportunity we have working along with those customers for the long run, and the more opportunity we can take more portion of their business and for any type of smart devices for the long run. So I think that's a key part.

And what do we see a very good trend here is that starting with Q2, finally, we're starting to offer in the AI solutions. So not only the Smart Bird Feeders, that's what we try out for last year, but also for this Q2, we're starting to deliver AI toys in collaboration with two major leaders in the Chinese toy industry.

So one is Haizi Wang, another one is an IP from NetEase. And so those feedback from the customer side and from end user side that become very positive. And then we're trying to scale that kind of totally new vertical categories that we don't have before. So while we have more and more AI essential, AI-empowered solutions offering, we already see that we're starting to open more doors.

And for the second half of this year, and our shipment for AI-based energy solution, we're starting to accomplish, and we're looking to grab that opportunity as fast as we can as well. So I think that's for the solution part.

## **Operator**

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

### **Matt Ma**

*Jefferies, Analyst*

I have two questions. So the first one is also related to the US tariffs. Are we observing a shift of China-based supply chain to overseas for our brand customers. If so, what other impacts on Tuya and should we expect to see incremental costs, for example, in module logistics?

And the second question is related to margins. We are seeing that for Smart Solutions, its gross margin is 22.5% in the second quarter, which is relatively lower than previous quarters. Just wondering what is the reason behind that? And also, given our business model can enjoy very strong operating leverage. Over the next three to five years, what kind of margin profile do you expect to see the company to achieve?

### **Yi (Alex) Yang**

*Co-Founder, CFO & Director*

Okay. Yes. So the first one is that, yes, after the tariff situation, every people talking about the shift in supply chains globally. But that kind of topic is not been discussed this year, because the first tariff rating took in place in 2018. So what we see here is that just for those products manufactured and so to United States, different categories react in different ways.

So for those categories, we acquire a less component and less rely on very diversified supply chain. So some simple stuff like the plugs, maybe LED box. So those type of categories, not only this year, I think that four or five years ago that many manufacturers trying to relocate it in other countries like Mexico, like Vietnam, Thailand, including India. So those manufacturers are already relocated somehow.

But some categories, super rely on the key components supplying, like the air conditioner. So they have way more complicated supply chain. It's not easy to move that out entirely. So the major air conditioner manufacturers still they have to produce in China.

So different categories right now are impacting in different levels. But those shifting supply chain already took in place for years. So for us, is that we just follow the flow is that wherever the customers want to produce their finished products, we just deliver our modules to their location. So I think that's the first one.

But the pressure comes from that especially in Q2, as we can see that those tariff policy, I mean, challenge is that United States or President Trump tried to raise the tariff almost every other country, including Mexico, including Japan, including Vietnam, and Thailand. So for the short term, that the importers don't know where is the safest place to produce or where is the stable place to do that. So I think that's where the shift comes from. But, what we see for the long term is that anyhow, this is a negotiation across multiple entities, across multiple nations. The negotiation is going to work out with a deal. So once there is a deal, there's a price that how people have to pay that. And then they will come up with a conclusion. So all the merchants, they know that how they can reprice that and is trying to sell that on a steady level, even with a higher price. So that's what we're looking forward to wait and find out. So those negotiations seems to progress somehow and seems to have a conclusion maybe in the next couple of months, right, where we see extended twice, but there should be a conclusion. So we're looking for have that. So that's the first one.

So for the short term, there's no easy option for the manufacturing, for the manufacturers because almost everyone will be tariffed at a different price. But for the long run, that as long as there is a price and then people will figure out how to continue to do the business, because we're not cutting up. Yes, I think that's about tariffs.

And second one about the gross margin. I already shared part of my answer to the previous questions, so we'll review the gross margin splitted into three sections, because either the PaaS or the SaaS or the smart solutions, they come to different value proposition and facing different type of competitions. So we'll more review those gross margins to see that whether we take the higher value proposition. For the smart solutions, maybe we'll take a higher propositions versus their in-house design team or versus any other solution providers. And for the PaaS, we review as whether we can really offer as a PaaS company or as a platform company and for the SaaS, it's whether we are really running a SaaS-based business. So for that part, the value propositions to show the competitiveness for us as a different role.

So as I shared before that in the PaaS, the range was so far between 47% to 48%, we're satisfied with that. For the SaaS above 70% of the regular SaaS company, we're good with that. And for the solutions, a higher propositions is about 20%, I think that is good.

So I think that's the key part we managed it. And one of the reasons, for the solutions, as you can see, the solution margin slightly declined in Q2. Reason being is that solution is more supply chain related. And in Q2, we started to offer some new solutions, like the AI toys. So at starting point of some new products or the new solutions, and we have the space to cost on, coming along with the scalability. So we're offering at the lower margin, we think it's fine. But to come along with our scale of the business, so we have more space that can free the cost. So I think that's a key part.

So the most important thing for us is that to proven those solutions really worked out coming along with a wide end user demand and come with the competitiveness that we can help the customer to face in any fold. In the same time, that's come along with the scalability, we'll be able to increase operating average and the margin performance for the long run. I think that's how we run that.

**Operator**

Seeing no more questions in the queue. Let me turn the conference back over to Regina Wang 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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