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Call Participants

EXECUTIVES

Reg Chai

Investor Relations Associate Director

Xueji Wang

Founder, CEO & Director

Yao Liu

CFO & Director

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HONGJIE LI

CICC, Research Division

Yang Liu

Morgan Stanley, Research Division

Presentation

Operator

Good morning, and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Tuya Inc.'s Third Quarter 2021 Earnings Conference Call. [Operator Instructions]

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

Reg Chai

Thank you. Hello, everyone. Welcome to our third quarter 2021 earnings call. Joining us today are founder and CEO of Tuya, Mr. Jerry Wang; Co-Chairman and President of Tuya, Mr. Leo Chen; and our CFO, Ms. Jessie Liu.

You can refer to our third quarter of 2021 financial results on our company's IR website at ir.tuya.com. You can also access a replay of this call when it becomes available in a few hours on our IR website.

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

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

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

Xueji Wang

Founder, CEO & Director

[Foreign Language] Hello, everyone, and thank you for joining us on our third quarter of 2021 earnings conference call.

[Foreign Language] The third quarter of 2021 was a challenging quarter for the industry. Despite the impacts of the global pandemic, which caused volatile sequential growth, Amazon store closures, shipping difficulties and other global events, we still achieved roughly 45% year-over-year growth in our total revenues, which reached USD 85.6 million, in line with our expectations and guidance.

Our SaaS and other business segments, which are mainly 2B services were less affected by the systemic risk factors and achieved strong year-over-year growth of over 210%. Our overall gross margin remained stable, increasing slightly on a sequential basis to reach 42.6% for the quarter.

During the quarter, we leveraged our industry leadership position and empowered our main customer groups to remain competitive amid macro adverse factors such as chip shortage and supply chain constraints.

[Foreign Language] We'd like to share our quarterly progress in IoT PaaS, SaaS and developers.

[Foreign Language] For the trailing 12 months ended September 30, 2021, the dollar-based net expansion rate for our IoT PaaS business was 179% as we continue to maintain one of the leading rates as for this metric in the industry for the eighth consecutive quarter since we began tracking this metric.

Our number of premium customers, which are defined as customers contributing to over \$100,000 in IoT PaaS revenue during the trailing 12-month period grew to 306 as of September 30, 2021, from 289 as of June 30, 2021. During the third quarter, we acquired over 1,000 new IoT PaaS customers, growing our IoT PaaS customer count by 46% year-over-year. Meanwhile, the number of brands on our platform grew to over 3,800 from 3,300 at the end of last quarter.

[Foreign Language] Some of these customers include one of the top 3 weather station specialists in Europe, which developed a smart weather clock through the Tuya platform. A leading Greek listed company chose Tuya to build its smart product brand. Additionally, a leading Indian bathing brand giant, used the Tuya platform to access interfaces for various electrical and water heating products. Finally, South Korea's top electronic goods sales channel and China's home furnishing leader in particle board have both chosen to build a full set of private label IoT product on the Tuya platform.

Notably, we're also seeing great growth potential in several emerging categories. For example, during the quarter, our initial delivery to a world-renowned retail giant private label brand in electric and gardening tools exceeded 200,000 sets of IoT PaaS.

[Foreign Language] In the context of this year's chip shortage, the scale effect of Tuya platform is indispensable to ensure the continuous expansion of IoT PaaS customers. For example, we analyzed the production capacity of the industrial chain and secure production capacity in advance. In terms of our regular product lines such as electrical engineering and lighting in response to the chip shortage, we helped customers switch and upgrade their manufacturing processes to effectively hedge against increasing chip prices. Looking ahead, we'll continue to pursue an additional win-win partnership throughout the IoT ecosystem.

[Foreign Language] To strengthen our unique and leading competitive barriers in cross-device category connectivity, we continue to iterate our outdoor product lines. By leveraging our Tuya Link SDK software capabilities, we connected many of the 4G ecological modules for various industries on our cloud platform, enabling us to further expand our product reach.

We also expanded into more outdoor product subcategories and developed more IoT device capabilities and app solutions such as HID access control, modularized development capabilities enabling users to develop apps at will and adaptability for smart mobile applications for outdoor RVs and mobile vending trucks.

[Foreign Language] As part of our strategy to create an open PaaS platform, developers can develop personalized, differentiated and diversified products utilizing the above-mentioned features. As such, we sustained our growth momentum in the number of SKUs empowered by Tuya, reaching roughly 500,000 by the end of the third quarter compared to 410,000 at the end of the second quarter.

The solid growth signifies our continued diversification of the IoT hardware ecosystem on the platform as we continue to expand the solid foundation towards our long-term vision of building an IoT developer ecosystem to enable everything to be smart.

[Foreign Language] Next, I would like to share our progress in the SaaS and other segments.

[Foreign Language] During the third quarter, our commercial SaaS maintained steady growth. For example, one of Russia's largest telecom operators announced a smart home development strategy based on Tuya's ecosystem and placed an order for our flagship cloud services. In addition, one of Europe's largest insurance groups believe that conducting risk predictions based on IoT devices is a core capability for remaining competitive in the future and that our SaaS capabilities are fully capable of enabling and serving such capacity.

In China, the Tuya Hotel SaaS KA version helped China's best brand power enterprise in the mattress field secured a smart hotel project. Tuya's apartment SaaS provided unified equipment management, modular business management, data analytics dashboard and powerful third-party system integration capability for the first innovative residential housing project for talents in China. Meanwhile, a well-known public company in China, the leader in the commercial lighting industry used our commercial lighting SaaS services to implement intelligent lighting solutions in fields such as office, rail transit industrial and retail.

Notably, over 900 kilometers away from the American continent in Bermuda, we also welcome an enterprise customer using our SaaS services to serve local nursing homes.

[Foreign Language] As for value-added services, we currently offer over 60 value-added services supporting customers with an all-rounded enhancement of their IoT products. For example, our Tuya Mall is gaining widespread market popularity through enabling brands to quickly embed e-commerce systems with basic essential functions in their app.

[Foreign Language] Next, I would like to share some updates on Tuya IoT developers. During the quarter, we increased our number of registered developers to over 440,000 compared to around 380,000 in the previous quarter.

[Foreign Language] The industry barriers formed by our developer strategy have also become the key to our development breakthrough in China's IoT market during the quarter, for example, one of China's leading comprehensive property management and services group, which built its real estate community property management, commercial operations and life services application software on our developer platform. Another example is a leading office space service provider in China, managing more than 1 million square meters use of platform to scale the expansion of its smart co-working office space business.

[Foreign Language] In terms of developer products, during the third quarter, we focused on and iterated the edge gateway products in hardware product development, the IoT WeChat Mini Program SDK for the domestic market in app development and the IoT core in cloud development services product.

Overall, we remain determined and committed to our strategies in the third quarter as we have done so for many years and achieved rapid growth in the face of multiple macro environmental factors. Moreover, as we continue to create value for customers and society in response to their rigid demands and constantly elevate our unique competitive barriers, we are confident in our long-term prospects.

[Foreign Language] Finally, I would like to share some updates on new products that we have been implementing since the fourth quarter, i.e., our private cloud solution and advanced IoT features.

[Foreign Language] We provide global customers with 1 set of unified IoT standards covering the cloud, app and edge modules so that all devices developed on Tuya platform can experience excellent interconnection in the long term. Our private cloud solution is similar to the implementation of various ERP systems.

This new product deploys standard IoT business source code on the customer's private cloud, which is an IaaS cloud

infrastructure owned by the customer. Utilizing the same standards as our public cloud system, our private cloud product is capable of interconnecting with all other smart devices and scenes under Tuya IoT standards via the cloud.

After the trial and landing of several leading enterprise customers in different fields, we are now officially launching Tuya private cloud solutions in the global market, further diversifying our solutions to meet customer demand worldwide.

[Foreign Language] In terms of enriching the value of PaaS layer, we strategically upgraded our standard IoT PaaS and began to deliver over 100 advanced IoT features for our customers to select as needed when developing their own smart devices.

These features include human-centric lighting for lighting products, energy management and statistics in the electrical field, BMS charging and discharging management, smart irrigation for agricultural products, localization and mapping capabilities for robot devices, cloud recipe capabilities for home appliances and many more.

Compared with the basic IoT function of connecting and controlling devices through an app or third-party voice and audio devices, constantly refining and improving the advanced IoT features in PaaS can not only help customers enhance their products' differentiated competitiveness but also help them to hedge against inflation and meet the rigid demand for word-of-mouth products through re-generating service value from functional products to smart products.

[Foreign Language] This concludes my sharing for today. I will now turn the call over to Jessie, our CFO, to review the financial details.

Yao Liu
CFO & Director

Thank you, Jerry. Before I begin, please note that all amounts are in U.S. dollars and all comparisons are on a year-over-year basis, unless otherwise stated.

We navigated a challenging third quarter to deliver approximately \$85.6 million in total revenue, approaching to the high end of the guidance range that we previously provided.

Our IoT PaaS revenue reached \$72.6 million, achieving year-over-year growth of 37.4%. Compared with the first half of 2021 is a relatively slow year-over-year growth for third quarter IoT PaaS revenue was mainly due the range of challenges Jerry mentioned earlier. Because we are in the sector of IoT that involved real physical devices, the majority of which are consumer level devices, our short-term revenue may be impacted by the downstream fluctuations of the entire consumer electronics industry. We believe that looking at our performance for a longer period of time such as the sum of the first 3 quarters of 2021 will provide a better picture of our actual condition and long-term growth.

Total revenue for the first 3 quarters of 2021 was \$227.1 million, up 94% year-over-year and IoT PaaS revenue was \$199.3 million, up 105% year-over-year. We totalled 306 premium IoT PaaS customers for the trailing 12 months ended September 30, 2021, up 87.7% from 163 for the same period ended September 30, 2020. During the third quarter of 2021, premium customers accounted for approximately 89.2% of our IoT PaaS revenue.

Number of IoT PaaS customers and new customers we served during each quarter grew sequentially this year. These expanding customer metrics demonstrate our healthy customer structure and the potential for future organic business growth.

Our dollar-based net expansion rate for IoT PaaS segment was 179% for the trailing 12 months ended September 30, 2021, flat year-over-year. We have maintained 160% or higher, which is an excellent performance for 8 consecutive

quarters since we began to track this metric. This reflects our ability to expand our platform usage over time and grow revenues from existing customers.

Our revenue from SaaS and others increased to \$5.6 million, representing 214.2% year-over-year growth. We saw increasing demand from service providers to provide various innovative software-enabled services for their customers by leveraging the combination of Tuya IoT SaaS and connected by Tuya devices. We also saw a strong need from brands and other players in the industry to largely boost their own smart devices, applications and IoT business-related capabilities.

Meanwhile, revenue from our non-core smart device distribution business increased by 66% to \$7.4 million, primarily due to the increased demand from customers for the specific smart devices directly sourced from OEMs by the customer.

Our gross profit increased by 79.2% to \$36.4 million, while gross margin improved to 42.6% from 34.4%. IoT PaaS gross margin continued its increase to 42.9% from 34.9% a year ago, which represents our strong value in the industry chain, primarily due to our increased economies of scale, improved efficiency for IoT PaaS deployment achieved through effective R&D and expansion into higher-margin IoT PaaS product lines.

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

During the quarter, our non-GAAP total operating expenses were \$69 million, up 120.8% year-over-year, comprising of non-GAAP R&D expenses up 144.8% to \$47.1 million. Non-GAAP sales and marketing expenses up 114.6% to \$19.7 million. Non-GAAP G&A expenses up 124.6% to \$6.7 million and other operating income net of \$4.5 million compared to \$0.1 million in the third quarter of 2020.

The increase in the non-GAAP total operating expenses was mainly due to the increase in employee-related costs. As of September 30, 2021, we had 3,700 employees, representing a year-over-year increase of around 80% and a slight quarter-over-quarter increase of 4%. The sufficient reserve of talents is part of our long-term sustainable development strategy.

During the recruiting peak season in the second quarter, we strategically attracted a large number of new employees to join us and support our business growth and most of the new hires were on-boarded and in place during the second quarter to the third quarter.

Building the large pool of qualified talents has positioned us well to tackle challenges of a challenging external economic environment and its current and future impact on our workforce and the long-term sustainable growth. Going forward, we expect to maintain a workforce size that is appropriate to our business scale and long-term growth strategy and we'll evaluate changes as necessary.

We believe maintaining a healthy personnel structure is critical to an enterprise's business development operating efficiency to continue to support and extend our ability to develop IoT solutions. And support our customers' IoT growth, we must continue to invest in R&D, sales, marketing and G&A.

As of September 30, 2021, our R&D personnel accounted for over 72% total employees, which is generally consistent with previous periods. With the rapid growth in the company's business scale, the corresponding growth of R&D personnel provides long-term support for various business and product updates and iterations going forward.

Likewise, the number of sales and marketing personnel need to match our growth in scale in order for us to deliver sufficient marketing capacity and carry out effective promotions. Meanwhile, G&A personnel also need to expand accordingly to ensure high operating efficiency of the company as a whole.

Our current personnel structure has been tried and proven throughout the rapid growth and expansion of our business and products over the past few years. As we have grown our personnel within each of these functions, our non-GAAP R&D sales and marketing and G&A expenses have also increased on a dollar basis.

In addition to the employee-related factors, the increase in non-GAAP sales and marketing expenses in this quarter was mainly due to our participation in a series of worldwide marketing events such as the U.S. ISC West in July and the Guangzhou International Lighting Exhibition in August et cetera. The increase in our non-GAAP G&A expenses was mainly due to an increase in a series of professional services fees incurred due to being a public company such as audit fees, legal counsel fees and HR services fees paid for establishing our talent reserve.

During the quarter, our other operating incomes were USD 4.5 million, primarily due to the receipt of the software value-added tax refund. In the third quarter, our non-GAAP loss from operations was \$32.5 million, and our non-GAAP net loss was \$31.2 million. Our non-GAAP operating margin was negative 38%, down 19.5 percentage points from negative 18.5% in the same period 2020. And the non-GAAP net margin was negative 36.5%, down 19.1 percentage points from negative 17.4% in the same period 2020.

Net cash used in operating activities for the third quarter of 2021 was \$46.1 million or 53.8% of total revenue compared to 2.2 million net cash used or 3.6% of revenue in the third quarter of 2020.

The increase in net cash used was mainly due to the increase in employee-related expenses and working capital changes to support ordinary course of business. As compared with net cash used in operating activities excluding a one-off cash inflow from our IPO depository bank related to our IPO for the second quarter, the increase in cash outflow for this quarter was mainly due to the net increase in accounts receivables after an offset by advance from customers, mainly as a result of the more favorable credit limits and the payment terms that we offered to certain customers with good credit history to help them cope with adverse impacts of the challenging external environment this year and the decrease in accounts payables primarily due to in time cash payment of our purchases just before the end of quarter according to the payment terms stipulated in contracts. This was ordinary working capital changes that were well controlled under our strict management of cash flow and credit risk.

Moving on to the balance sheet, as of September 30, 2021, our cash, cash equivalents and short-term investments increased to \$1,179.6 million. We believe this balance is sufficient to meet our current liquidity and working capital needs.

Finally, turning to the share repurchase, during the quarter ended September 30, 2021, we repurchased approximately 2.8 million ADSs from the open market for total consideration of approximately USD 28.6 million pursuant to the share repurchase program, representing around 14.3% of the \$200 million authorization announced pursuant to the share repurchase program. The average repurchasing price was over USD 10 per ADS. This shows our strong confidence in the company's long-term growth perspective.

Now turning to outlook, for the fourth quarter of 2021, we expect total revenue to be in the range of \$72 million to \$77 million. This forecast only reflects the company's preliminary view on our current market and operational conditions, which are subject to change due to various uncertainties, including, among other things, those related to changes in the global economy, inflations affecting the purchase power of end users, supply chain constraints and disruption due to chip shortage and the limited sea freight capacity, and the recovery of customers impacted by selling policies on online retailers.

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

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Hongjie Li with CICC.

HONGJIE LI

CICC

[Foreign Language] Congratulations on continued strong growth of SaaS business. Could you give us more color on development plans for SaaS business? Which areas are your top priorities to expand next, whether there will be organizational structural adjustments? Second question is, could you share some latest stories and plans on domestic business? Should we expect an increase on the proportion of the domestic revenue in the future?

Yao Liu

CFO & Director

Thank you, Hongjie. Yes, overall SaaS and other segment is growing strongly, and we saw a huge demand for IoT upgrades in various business scenarios other than home. With the gradual improvement in the majority of our SaaS and industry developer products, we can better serve and meet the needs of different business scenarios for IoT, providing business scenarios operators with high efficiency, energy savings, safe, better end-user experiences and et cetera. In the third quarter, we delivered SaaS and industry developer products to over 400 customers.

Next, I will give an update and the development directions of the segment. Hotel and department SaaS, we have currently covered over 40,000 hotel and apartment rooms in China, connecting approximately 500,000 connected by Tuya consumer electronics devices in daily use. And a substantial majority of the revenue in this segment was generated in China. With the improvement of our software products and the enrichment of connected by Tuya hardware ecology for hotel and apartments, we foresee that there is still a considerable room for growth in the future. And also with the ease of the COVID situation, we received more hotel apartment SaaS requests from overseas customers. In the future, we will work with our OEM and brand customers together to grow the overseas hotel and apartments segment.

For real estate and community SaaS, we delivered a good result in this segment this year and also in third quarter. Many very well-known Chinese real estate developers and property management firms purchased real estate and community SaaS from Tuya in third quarter, including New Hope Service and Excellence Group, both are top real estate groups and property management firms in China. They further applied Tuya SaaS to residential communities. For example, Wanke, which started cooperating with us since last year, has applied Tuya's real estate SaaS to their residential properties in across 6 cities, including Wuhan, Changsha, Xi'an, et cetera. It will further contribute to the growth of IoT PaaS business. As the top consumer electronic brands who have been cooperating with this real estate group for a long time would deploy Tuya's IoT PaaS thus the electronic devices can be controlled by Tuya SaaS and provide better IoT experiences for real estate groups or property management firms.

In the future, except for obtaining more SaaS contracts from renowned real estate groups and property management firms, we will also cope with various channels in different cities, which own the capability of installing. They can implement residential community SaaS directly to the huge existing residential communities in China. And also, we will expand from the residential community to industry parks, school campuses, logistics parks. Those places have similar demands as residential community.

Our SaaS product for non-residential parks is under development, and we will continue to focus this SaaS business on

the broad market in China.

And as commercial lighting SaaS business, this is also one of our fast-growing SaaS products this year and its energy saving group control functions and very cool lighting experiences created are very popular among our customers. Currently, more than 1,000 classrooms in China have implemented our commercial lighting SaaS, protecting the eyesight of tens of thousands of students.

In the third quarter, another flagship project with an advanced manufacturing factory in China achieved a significant energy savings by using more than 500 sets of lighting fixtures connected by Tuya in conjunction with Tuya commercial lighting SaaS.

A national airbag inspection center in China also equipped with Tuya commercial lighting SaaS. Meanwhile, this product also well received by overseas customers with approximately 15% of Tuya commercial lighting SaaS revenue generated from overseas market in the third quarter. For example, one of the largest sports clubs in the Netherlands with 120 years' history has also deployed Tuya commercial lighting SaaS in third quarter and equipped with over 100 sets of floodlights connected by Tuya.

Our commercial lighting SaaS product is relatively comprehensive now, and our team is extending it into building SaaS, which can connect HAV system with IoT cloud platform, connecting those Powered by Tuya devices through industry edge gateway to make HAV systems smarter and achieve a better energy efficiency. Currently, a number of well-known HAV system companies have expressed their interest and are discussing the cooperation with us.

Energy savings and carbon reduction is a rigid global demand and a major trend. Therefore, commercial lighting and building SaaS is embracing a big global market. Our residential security SaaS and self-service SaaS also has good application scenarios. Due to the limited time available, I'm not going to go through them one by one.

At last, regarding to the business of industry cloud developers, which has some similarities with SaaS, is also addressing the IoT demands of various commercial and other scenarios apart from home. The difference is that we provide pedestal products such as IoT core and upper software application layer is developed by the ISVs themselves. In our exploration this year, we found that there's a great demand for IoT spaces in China, such as shared offices and all kind of retail stores.

For example, our ISV MyDream+, in Chinese name Mengxiangjia, has used our Tuya IoT core, which is our industry cloud developer product to implement over 150 smart shared offices areas in Beijing and Shenzhen this year. Meanwhile, a number of industrial scenario operators, such as a waste water treatment company is cooperating with us and using Tuya IoT core to connect a cluster of waste water treatment facilities to their IoT platform on their own cloud.

We believe there is a huge existing spaces that require IoT upgrades. We will continue to optimize our industry cloud developer products to help operators in different scenarios obtain IoT upgrades easily.

In terms of organizational structure improvement, since the industry cloud developer business and the SaaS has many similarities, and underlying IoT core is the same, we have recently merged the 2 teams to attain higher efficiency in production and research. Because of the huge connected by Tuya hardware ecology accumulated in last 7 years, there are thousands of excellent OEMs and brands we can cooperate with for long term, which makes our IoT SaaS business well positioned and is able to meet the needs of customers for IoT devices and IoT upgrades in different kind of scenarios around the world.

And then regarding the second question, we'll ask our President and co-Chairman, Leo, to answer.

Liaohan Chen

Co-Chairman, *President & Director*

[Foreign Language] Now we first established our IoT business in the overseas market, and we started our IoT business in China in the first half of 2019. We've made very good progress in the past 3 years. Right now, the distribution of our business across the global region is becoming more balanced, and we'll continue to increase the proportion of our business in China.

[Foreign Language] We now have very active cooperations with different brands. So devices powered by Tuya has been penetrated into many distribution channels. For example, consumer electronics products that's powered by Tuya can be found on all major e-commerce platforms in China.

[Foreign Language] We also cooperate with channels such as the post home improvement market, telecom operators, et cetera, so they can sell smart devices that are powered by Tuya.

[Foreign Language] SaaS and industry cloud developer business have also carved out a niche market in China. As these scenarios use Tuya IoT SaaS or IoT core, they will also adopt a large number of products powered by Tuya. And the operators of these scenarios, many of which are extremely well-known enterprises with very strong negotiation power in the market, so they can require top-tier brands that they work with to deploy Tuya IoT PaaS, which is very beneficial for us because this coming in effect will be more powerful when dealing with brands by ourselves in terms of customer acquisition.

[Foreign Language] We'll continue to focus on business opportunities in China and consistently increase the percentage of revenue generated in China.

Operator

Your next question comes from the line of Yang Liu with Morgan Stanley.

Yang Liu

Morgan Stanley, Research Division

[Foreign Language] The first question is could management share about the financial contribution from the newly relieved IoT PaaS private cloud. Is it the substitute of existing IoT PaaS addressable market? Or is it a completely new addressable market for Tuya?

The second question is, as it is approaching the year-end, when Tuya discussed with the premium customer or big customer about the next year's demand, what is your outlook? Could you please share about their shipment plan or demand plan?

Liaohan Chen

Co-Chairman, *President & Director*

[Foreign Language] Let me take the first question. Now our private PaaS is still in early development stage. Many large accounts are showing interest such as large telecom operators, large retail channels and some well-known leading brands. And a lot of them are in the preliminary communication process with us, for example, a global top 10 brand of electric power tools and some large telecom operators in the South and Southeast Asia.

And there will be some private cloud deployment costs, maintenance costs and IoT PaaS charges upon deployment of the devices. As we are still in the initial stage of the development of the business, we are going to continue to improve our potential products and pricing models, et cetera.

Yao Liu
CFO & Director

I just want to add on one last point for this question. So our private cloud PaaS is in addition to our major product, the public cloud. This is not going to replace the existing market. This is to open a new market. Because there are certain customers, especially some large customers just have strong requirement need to place all their data on their own private cloud, which the public cloud product cannot serve. So we believe we offer a private cloud product, which still enable all the devices deployed on the private cloud able to connect all other brands on our private cloud, is able to open a new market for us.

For next question, which Liu Yang asked, let me take on it. Usually, we communicate with our major customers about their plans for next year at the end of December. At present, customers are closely observing the holiday season sales, shipping prices and a change in raw material prices. They are generally now more cautious compared to the same time last year.

Brand customers are concerned about the impact of high inflation on purchase power, the chip shortage, shipping delays and the currently still high sea freight prices, which are all patterned in parallel. So generally speaking, it is currently a stage of weakness in global consumption. However, a relatively good situation is that from our communications with brands, they have exercised the caution. So most of brands inventories are in a healthy condition.

Although there are many uncertainties in the macro situation, major accounts have generally expressed the interest to grow and continue to expand new product categories next year. This is also a major advantage for Tuya IoT cloud platform. On our cloud platform, we are constantly launching new products, support capabilities, allowing reputable customers with channel advantages to easily expand their IoT products. For example, as the epidemic gradually eases, outdoor IoT devices will embrace strong demand. Many of our large accounts have expressed interest in working on outdoor IoT devices. So we will continue to help customers to expand by creating more valuable IoT devices.

Okay. So I think -- go ahead.

Operator

This is the end of the Q&A session due to the time constraints. I would like to hand the conference back to our management for closing remarks.

Yao Liu
CFO & Director

Okay, yes. So before we end the call, I want to make one last clarification. We noticed this morning, there's news saying that Tuya missed the market consensus for the loss. We just want to clarify, we are contacting the news source to correct.

I think the news source messed the non-GAAP loss from the market consensus, which is \$0.06 per share compared to the GAAP loss. Our non-GAAP loss is also \$0.06 per share. So it does meet the market consensus.

So thank you again for joining our call. If you have any further questions, please feel free to contact us, or request through the IR website. We look forward to speaking with everyone in our next earnings call. Hope we all have a good day.

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

