

EH Earnings Call Transcript

Date: 2025-11-26

Quarter: 3

Operator: And English lines are open for questions. And today's call is being recorded. Now I will turn the call over to Angie Yiheng, senior of Investor Relations. Ms. Anne, please proceed. Thank you all for joining us on today's conference call to discuss the company's financial results for 2025. The earnings release is available on the company's IR website. Please note the conference call is being recorded, and the audio replay will be posted on the company's IR website. On the call today, we have Mr. Huazhi Hu, our Founder Chairman and Chief Executive Officer, Mr. Zhao Wang, Chief Operating Officer, and Mr. Conor Yang, Chief Financial Officer. Before we continue, please note that today's discussion will contain forward-looking statements made pursuant to the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such, the company's actual results may be materially different from the expectations expressed today. Further information regarding this and other risks and uncertainties is included in the company's public filings with the SEC. The company does not assume any obligation to update any forward-looking statements, except as required under applicable law. Also, please note that all numbers presented are in RMB and are for 2025 unless stated otherwise. With that, let me now turn the call over to our CEO, Mr. Huazhi Hu. Please go ahead, Mr. Hu. Hello, everyone, and thank you for joining our call today.

Huazhi Hu: In 2025, we continue to advance our business roadmap in a steady and disciplined manner. We delivered 42 units during this quarter, generating RMB 92.5 million in total revenue. Under our annual strategy of operations-driven sales, we proactively optimized our delivery pace and prioritized resources toward supporting existing customers in building regular operations, in order to establish sustainable commercial operating capabilities. As a result, delivery saw a temporary slowdown while new orders continue to grow strongly and our order backlog further increased. We believe this strategy will strengthen the foundation for commercial operations and drive EHang Holdings Limited's healthier, more sustainable long-term growth. This quarter, we achieved sustainable progress in product portfolio, product development, industrial deployment, and international expansion, laying a solid foundation for the next phase of growth. First, in terms of product portfolio, we continue to expand our product line this year to cover more diverse application scenarios in the low altitude economy. In October, we officially launched the VT35, our next-generation long-range lifting cruise pilotless human-carrying eVTOL. The VT35 has gone through a long six-year period from finalization to productization, integrating the advantages of eVTOLs while avoiding shortcomings of products with other configurations. Adopting an advanced tandem wing design, the VT35 maintains full aerodynamic efficiency and flight stability while minimizing the overall size of the aircraft. Its design range with a full load is at least 200 kilometers. This is only our conservative data under strict conditions. It can cover various medium to long-distance scenarios such as cities, islands, and mountain areas, clearly expanding the application scope of eVTOLs in intercity and regional transportation. Consistent with our safety-first principle, the VT35 adopts fully redundant systems and autonomous obstacle avoidance, ensuring further enhancements in safety. Meanwhile, the VT35 extensively uses the mature system architecture of the 216S, including its command and control system and ground infrastructure such as standardized vertiports and charging platforms. In the future, this will enable the true realization of intercity door-to-door travel while significantly reducing infrastructure costs and deployment thresholds. We announced the presale price

of RMB 6.5 million for the standard version of VT35 in China. Supported by China's strong manufacturing capabilities and new quality productive forces, we believe this compelling pricing advantage will make the VT35 highly competitive in global markets. We have already received purchase orders from customers in Hefei, Zhejiang, and Hainan and have started delivery and test flights in the third quarter. On certification and industrial deployment, the Civil Aviation Administration of China formally accepted the VT35 type certificate application in March, and this certification progress is progressing steadily. We are following the proven certification path of the EH216S and are fully accelerating the testing and certification efforts of the VT35. Meanwhile, we further deepen our strategic partnership with the Hefei government to establish the VT35 product hub in Hefei. The Hefei government will provide comprehensive support totaling RMB 500 million, including purchase orders to build an integrated layout across R&D, manufacturing, airworthiness, certification, sales, and operations. This partnership meaningfully strengthens our foundation across the entire industry chain. From the product portfolio perspective, the EH216S focuses on intracity transportation while the VT35 addresses intercity and regional transportation covering major metropolitan clusters such as the Yangtze River Delta, the Pearl River Delta, and the Beijing-Tianjin-Hebei region, extending the radius of the one-hour air travel circle to hundreds of kilometers. Together, the two models

Huazhi Hu: In a modular box launch design deployment. The lightweight system with high precision positioning enables long-duration, highly stable flights, significantly enhancing visual effects and operational efficiency for aerial light shows. During the fifteenth national games held in Guangzhou, we deployed more than 11,000 GT4.0 drones for a night sky performance, making our largest formation record to date. We are also advancing development on several next-generation models, including the firefighting variant of the 216 series, the VT series logistics aircraft, and a two-seater configuration to support a broader range of commercial applications. Our joint venture with the Chang'an Automobile Yeon Zhihang has been formally established, and we will co-design and develop the next-generation product line, further strengthening industrial synergies and accelerating the diversification of our overall portfolio. In terms of industrial development, we continue to strengthen our manufacturing system and long-term capacity planning. Our strategic cooperation with the Menthe group deepened further this quarter, leveraging this expertise in lightweight structural components and intelligent cabin systems to enhance the core competitiveness of EHang Holdings Limited's eVTOL products. Meanwhile, our joint venture with Empower Yunfoo Yihon has entered a trial production for its phase two project at the Yunfu production base. Construction of our facilities in Hefei, Weihai, and Beijing is also progressing as planned, forming a full value chain layout across R&D, manufacturing, airworthiness, certification, delivery, and operations. As these major industrial bases come online, we expect to further strengthen our production capacity, supply chain resilience, and delivery efficiency. Internationally, we continue to advance global deployment in a steady and phased manner, establishing scalable market entry models through demonstration flights and local partnerships. During the quarter, we achieved notable progress across Asia, the Middle East, and Africa, including ongoing trial operations under Thailand's regulatory sandbox program and completing the Mideast's first intracity pilotless human-carrying eVTOL flight in Qatar, which showcased the efficiency of point-to-point low altitude transportation. We also carried out consistent flights and regulatory engagements in Africa and Japan. These overseas initiatives the path of flight verification scenario application, commercial operation, laying a solid foundation for future large-scale business expansion. On the policy front, China's fifteenth five-year plan proposal released in October explicitly called for accelerating the deployment development of industrial class in strategic low altitude economy, providing long-term stable and high certainty policy expectations for the industry. Ongoing regulatory improvements, aerospace reform, infrastructure build-out, and application scenarios collectively create a comprehensive environment that supports the R&D, production, testing, and operations of eVTOLs. As an industry pioneer, EHang Holdings Limited will continue to participate in standards development and demonstration programs, leveraging policy momentum to accelerate technology deployment and industrial expansion. Guided by national policy support, local governments are increasingly supporting the low economy, providing more practical operational guidance for the industry. For example, in October, Guangdong province introduced several measures to promote the high-quality development of the low altitude economy, supporting Guangzhou, Shenzhen, and Zhuhai in pioneering intercity and intercity low altitude passenger routes and promoting cross-border drone

logistics in the Greater Bay Area. Similarly, in September, the Hong Kong government also proposed in its latest policy address to formulate a low altitude action plan and launch and advance the sandbox pilot. The initiatives cover more complex scenarios, including cross-border flight routes and human-carrying eVTOL operations. We are currently working closely with the Hong Kong regulators to advance pilot initiatives. These policy breakthroughs not only strengthen the industry's long-term outlook but also provide clear institutional guidance for our commercial implementation. We also continue to invest in the broader industrial and research ecosystem following the establishment of the Johannan Research Institute with Tsinghua University this quarter. We recently signed a strategic cooperation framework agreement with the China Academy of Civil Aviation Science and Technology. The partnership will focus on six major areas, including flight safety, road management, operational support, regulatory standards, and validation, and jointly building a standard system for low altitude commercial operations. Looking ahead, we will continue to prioritize safety while leveraging our product strength, innovation capabilities, and operational expertise as our core drivers. We will advance commercial operations in a disciplined manner and further deepen our global footprint, benefiting from an increasingly supportive policy environment, a more complete product portfolio, and our continuously strengthened full chain capabilities across R&D, manufacturing, airworthiness certification, and we remain confident in our long-term growth outlook. Meanwhile, we are also very pleased to welcome our new board member, Ms. Haiyin Lee, to the company's board of directors. With her extensive global experience in capital markets, asset management, and corporate strategy, her addition will provide significant support for enhancing the company's international capital market engagement and strategic decision-making in the future. Her appointment will also strengthen the diversified structure and the governance capabilities of our board. We look forward to working with her to drive the company into its next phase of growth. I will now hand it over to our COO, Zhao Wang, for operational updates this year. Thank you, Mr. Hu. In Q3, we continue to execute against our core strategy focused on safety, operational excellence, and commercial deployment. We generated revenues of RMB 92.5 million and delivered 42 units of eVTOL, including 41 units of the 216 series and the first VT35. Deliveries this quarter were mainly in China, totaling 39 units with overseas customers in Thailand and Malaysia. The quarter-over-quarter and year-over-year declines in revenues and deliveries were mainly due to the delayed payment schedules from certain customers. While some sales agreements were signed during the third quarter, payments were not completed in time, resulting in a part of the originally planned deliveries being deferred and, therefore, not recognized as Q3 revenue. As of now, 30 units of those orders have been fully paid for and will be recognized in Q4. Based on our current delivery progress and order execution, we are maintaining our full-year revenue guidance of RMB 500 million. On operational readiness, we are steadily preparing for the official commercial operations of the 216S in China. Our two certified operators, EHang General Aviation and Hefei Hei Aviation, continued human-carrying trial operations throughout the third quarter. As of now, in 2025, a total of 1,147 flight missions have been safely conducted by the two certified operators, including 359 human-carrying flights, all demonstrating stable and reliable performance. Hefei Hei Aviation's operations site is now ready for operations and plans to gradually and carefully open to the public through a reservation system starting in December. This will allow more passengers to experience pilotless eVTOL mobility firsthand. Meanwhile, preparation for point A to B route trial flights at both sites is progressing well. Route planning, vertiport assessment, and surveys have been completed, and multiple rounds of test flights have already been conducted. Leveraging the capabilities of both certified operators, we will continue conducting additional human-carrying flights and operational trials to advance the rollout of point A to B route operations. As the plateaus, cold regions, and strides are also progressing steadily, further demonstrating the strong flight performance of the EH216S. For external operational support, we have begun delivering our services of OC certification assistance and outsourced operation services through EHang General Aviation and Hefei Hei General Aviation, several customer projects are already underway. To support future commercial scaling, we are accelerating the deployment and development of our key capabilities. In Q3, we completed the design of all required materials for the EH216S ground operator training program, including training plans, flight menus, course outlines, training materials, and assessment systems. The Center South Regional Administration of the CAAC has formally accepted our application, and the first training program is expected to begin shortly. The

training cycle will run through the end of the year and proceed under CAAC supervision. Our goal is to verify the first batch of ground operators early next year. We plan to build a team of about 100 professional ground operators to support scaled commercial operations and service delivery, while also training additional ground operators for our customers' own operating teams. Once a certain number of certified ground operators are available in the market, regular operations can be realized in various customer operations scenarios, and the progress for other operating companies to obtain OC will be further advanced. At the same time, we are making steady progress on developing the EHang trip ticketing system. The internal testing version is now live, allowing our employees to book and experience flights through the online platform, and initial feedback has been very positive. This will prepare us for the upcoming launch of the public online ticket service. Internationally, our global visibility and flight footprint continue to expand. To date, the EH216 series has cumulatively completed over 80,000 flights globally, further strengthening its international presence and credibility. In Japan, the EH216S successfully flew near the Osaka Kansai Expo venue and at the foot of Mount Fuji, while the EH216L completed its first cargo logistic route flight in Ishikawa Prefecture. In Rwanda, in collaboration with the China Road and Bridge Corporation, we completed the first human-carrying flight of the EH216S in Africa, extending our flight footprints to 21 countries. Regarding overseas regulatory certification, we are working with local partners and civil aviation authorities in multiple countries, including Saudi Arabia, the UAE, Thailand, Brazil, and South Africa, to advance the establishment of bilateral airworthiness validation with the CAAC and to support the validation of type certificate application for the 216S. Relevant regulatory frameworks in these markets are accelerating and maturing, laying important groundwork for future commercial eVTOL operations. Meanwhile, we are also actively exploring trial-first pathways to initiate operational trials overseas. In October, together with the Civil Aviation Authority of Thailand and local partners, we officially launched the Thailand Advanced Aerial Mobility sandbox project. Through flight validation under the sandbox framework, we were able to obtain special operational approval through an expedited regulatory process. This initiative represents the world's first regulatory sandbox model for advancing commercial eVTOL operations and is expected to become a benchmark program globally. The EH216S has now undergone over a month of continuous trial operations within the Bangkok sandbox area, showing strong stability and reliability across all trial flights. We also conducted a series of on-site emergency response demonstrations for CAA covering scenarios such as a propeller failure, communication loss, and other contingency situations to validate the capabilities and safety performance of our pilotless intelligence system. These efforts not only validate the commercial operational model for eVTOLs but also establish a solid foundation for a replicable regulatory and operational framework. Looking ahead, we plan to expand the sandbox to Pattaya, Colon, Phuket, and Koh Samui, forming a demonstration network covering tourism, commuting, and interisland transport. This will also provide a scalable and replicable pathway for commercial pilot projects across other Southeast Asian markets. In the Middle East, with operational authorization from the Qatar Civil Aviation Authority and the support from the Ministry of Transport, we successfully completed a series of human-carrying flights with the 216S in downtown Doha and the region's first pilotless intracity point-to-point eVTOL flights. The flights connected Doha Port and the Katara Cultural Village, reducing a thirty-minute car ride to just eight minutes, clearly demonstrating the EH216S's application potential in urban air mobility scenarios. We will continue deepening cooperation with Qatar's Ministry of Transport and advance the pilotless air taxi project in a phased manner. In Central Asia, we signed an MOU in September with a major industrial and commercial enterprise in Kazakhstan, outlining a phased procurement plan for 50 units of the EH216 series eVTOL. Together, we will establish the first UAM operation center in Central Asia and plan to build a localized assembly base, further promoting the localized development of the low altitude economy in this region. The partnership has attracted strong attention from Kazakhstan's first deputy prime minister and the governor of the Karaganda region. We held two meetings with the first deputy prime minister in Beijing and Astana, during which EHang Holdings Limited was invited to share China's leading operational experience and regulatory best practices to support Kazakhstan in building a compliant and sustainable low altitude economy. Beyond our human-carrying business, and in line with this year's strategic priorities, we are also actively expanding our non-passenger business, including emergency firefighting, logistics, urban inspection, and drone light shows. For emergency response applications, we have

developed an integrated system. It links small drones deployed from automated drone ports with our command and control system and specialized firefighting UAVs. This solution enables cities to build a comprehensive rapid response emergency framework. Several municipalities, including Fengsheng District in Beijing, have already expressed strong interest, and project planning and demonstration drills are underway. EHang Holdings Limited was among the first enterprises to conduct drone light shows. This year, our newly developed GD4.0 drone also demonstrated strong performance and high scalability. It successfully completed an 8,000-drone performance for CCTV's China Science Technology Innovation Gala and over 11,000 drones for the national games and has already achieved formations of up to 14,000 drones. Currently, test flights for a 20,000-drone show are in progress, which would surpass the current Guinness World Record. In addition, the GD4.0 is multifunctional. With minor modifications, it can be used for urban inspection and as a key component in building 3D digital twin models and smart city management systems. The strong overall performance of the GD4.0 positions our aerial media business to shift its focus from primarily providing show performance services to becoming a hardware solution supplier through direct sales of formation drones. To date, the GD4.0 has secured firm orders for 3,000 units and customer purchase intentions exceeding 10,000 units. Selling formation drones not only enables us to quickly recover R&D investments and generate product-level margins but also helps us cultivate the drone formation show market and capture greater market share. In addition, it brings recurring revenue opportunities from aircraft maintenance and consumables. This drives a more diversified and resilient revenue structure for the business. Looking ahead, we will continue to strengthen our overall competitiveness through our diversified product portfolio, modified assist, low altitude solutions, and solid safety record, improving commercial operation capabilities, and our growing global partnership network. These capabilities collectively reinforce the foundation for the company's long-term and sustainable growth. Now I'll turn it over to our Chief Financial Officer, Conor Yang, to walk us through the financial results. Hello, everyone. Before I go into the details, please note that all numbers presented are in RMB unless otherwise stated. A detailed analysis is available in our earnings press release on the IR site. Now I'll present some key financial data. Total revenues were RMB 92.5 million in Q3 2025. These year-over-year and sequential decreases are primarily driven by decreased sales volume of 216 series products. This was primarily due to the company's strategic focus being adjusted to the various operational preparations before the launch of operations as well as assisting customers in the establishment of operation certificate systems and capabilities, which thus affected short-term delivery. Gross profit was RMB 56.2 million in Q3, showing both year-over-year and sequential decline, caused by decreased revenues in the quarter. The gross margin in Q3 was 60.8%, slightly lower than 61.2% in Q3 2024 and 62.6% in Q2 2025. Despite a slight decline, our gross profit margin remains at a relatively high level, which reflects our competitive advantages in the eVTOL sector. Turning to expenses, total operating expenses in Q3 were RMB 151 million, which remained basically flat year-over-year and decreased quarter-on-quarter. The quarter-on-quarter decrease was primarily due to significant decreases in sales and marketing expenses. The adjusted operating expenses for the third quarter, which excluded share-based compensation expenses, were RMB 147 million, representing a slight year-on-year increase of 2.6% and a quarter-on-quarter decrease of 8%. This quarter-on-quarter decrease was mainly due to the company's continuous efforts to enhance operational efficiency, which has led to a reduction in various operating expenses. Adjusted net loss was RMB 20.3 million compared with adjusted net income of RMB 15.7 million in 2024 and RMB 9.4 million in 2025. The adjusted net loss was mainly caused by decreased revenue generated in the quarter. In Q3, the company raised USD 10 million through its at-the-market offering program. The proceeds will mainly be used for the company's research and development of next-generation technologies and products, team and production expansion, establishment of new headquarters, commercial operations, working capital, and general corporate purposes. The company continues to have strong capital reserves. As of September 30, 2025, our cash and cash equivalents, restricted short-term deposits, and short-term investments totaled RMB 1.13 billion. This solid foundation gives us the flexibility to support future R&D investments, expand our production capacities, and grow our commercial operations. With steady delivery progress for orders in hand in the fourth quarter, we currently remain confident in our full-year 2025 revenue guidance of approximately RMB 500 million. Looking ahead, as commercial operations begin to scale and

international sandbox projects advance, with the establishment of scalable operating systems and the continued expansion of our global footprint, EHang Holdings Limited is rapidly building a robust foundation for sustained long-term growth. We'll continue to pursue healthy, sustained growth. Thank you.

Operator: If you wish to ask a question, please press 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press 2. If you are on a speakerphone, please pick up the handset to ask your question. The first question comes from Tim Hazia with Morgan Stanley. Please go ahead. Hey. Hi.

Joey: I am Joey from Morgan Stanley. I would like the management to share more color on the sandbox initiative. Could you share more from the capital markets perspective in terms of the exact or rough timeline that we are currently looking at, particularly on specific or crucial stages like OC application, transition from trial operations to official commercial operations? And I've heard that you are currently expanding this sandbox initiative to four regions. So, collectively, what kind of scale are we looking at from this perspective? An additional separate question is that you are planning to replicate the sandbox initiative to other Southeast Asian countries. I was wondering, could management share any progress on that front? Are there any engagements that we are having with various countries in that region? Because we know that eVTOL is a good fit for many of these island countries. So could management share more color on that? Thank you. Thank you for your question. So, let me answer this question. Actually, in October, the regulators from Thailand, the civil aviation regulators from Thailand, have actually approved that we conducted AUM, a sandbox initiative in Bangkok. This is a point A to point B sandbox initiative. So the goal for us is to officially commence eVTOL commercial operations in the next three months. Currently, we are still conducting daily tests and we are submitting these test data to the civil aviation regulator in Thailand. Actually, just on Monday, the director general of Thailand's Civil Aviation Authority took a ride on our eVTOL, flying across the city center of Bangkok. This marks the very first of its kind for a director general of a civil aviation regulator to ride on an eVTOL. There is an important industry conference called IETL that's going to be held in Q4 in 2026. Given this important meeting, the goal for the director general of the Thailand civil aviation regulator is to officially launch commercial operation of eVTOLs before the conference takes place. We just released an interview, which is posted on YouTube and other social media platforms. It's available out there. It's an interview between the founder of our Thailand operator, the founder of AERIAL, which is our Thailand operator. In the interview, they officially mentioned they proposed that they are going to have 20 sandbox initiatives in 2026. By then, it's going to be commercial operations where we are going to generate revenue. Judging by this goal, we are looking at a delivery of 100 EH216 units in 2026. Looking at the overall market, given the islands and the transportation requirements or needs out there, we are looking at the potential of over a thousand units of EH216 to be delivered to this market. Of course, we understand that there has been some misunderstanding from some industry analysts recently on our commercialization path. However, I want to assure you that with the preparations we have put in place over the years, we are preparing and we are going to see a breakthrough in EHang Holdings Limited's commercial operations, both domestic and overseas. With the engagement with other regulators in Southeast Asian countries, I can tell you that they are progressing well. We are maintaining close communication with them. We are currently engaging the authorities in Cambodia, Malaysia, and Singapore. Just to give you some information, the director general of the Singapore Civil Aviation also visited and saw the 216S demo flight, and I personally offered the explanation. It's a new industry, and with the new demo projects that we are going to enter into commercial operation in Thailand, it's going to set up a good role model for the rest of the surrounding countries in Southeast Asia. Hopefully, that answers your question. Thank you very much.

Operator: Thank you. Your next question comes from James Zu from UBS. Please go ahead. Pardon me? What is the name of the line needed?

James Zu: Pardon me? Hi, management. Thank you for taking my question. I was wondering why we are expanding into unmanned product portfolios, for instance, firefighting drones or eVTOLs as well as deformation performance drones. What's their contribution to our revenue and also profit? So could management share more on that? This is Huazhi Hu. Let me take your question. Actually, the low

altitude economy encompasses or consists of both manned business and unmanned business. They are both critical components of this economy. With EHang Holdings Limited's decade-long R&D; investments, we first set up manned operation as our goal because this is the most challenging sector as it involves flying men from the ground up to the sky, posing significant challenges. Over the years, we have accumulated a lot of technologies and patents. With our capabilities covering various travel distances and sizes of eVTOLs, we are able to tackle all of these problems. Actually, for our 216, it's a serious product. We have the 216S, which is for manned transportation, and we have 216L, which is dedicated for logistics, 216F, dedicated for firefighting, and 216LF dedicated for forest fire extinguishing. Additionally, we just launched the VT35 in October, which also has a model dedicated for logistics services and other application scenarios available. What we are trying to do is to maximize the technology that we have. We are going to introduce more models and expand our product portfolio to increase revenue. That's our strategy and how we are going about it in the low altitude economy. Maybe in the past, analysts were not following our unmanned products very closely. To achieve sustainable, healthy development, we need to extend our product portfolio to gain more market share. The reason why we focused on the demand of eVTOL is because it's the most challenging part, and that's the one we chose to focus on first. Hopefully, that's the first bit. As our manned eVTOL gradually enters commercial operation, we have been expanding the teams, recruiting more personnel, and trying to extend our unmanned business. We are trying to build a comprehensive product portfolio that can generate positive cash flow for the company. As we mentioned at the end of last year and earlier this year, we are trying to adjust the product mix and have a more diversified portfolio. Nevertheless, they all fall under the low altitude economy umbrella, so they are all going to be major businesses for our company. Going forward, you are going to see a much more diversified product mix, which will all contribute to the company's bottom line. Thank you.

Operator: Thank you. Your next question comes from Chen Yu from Guangfa Securities. Please go ahead.

Chen Yu: Hi, management. Thank you for taking my question. I have two questions. One is on our VT35. Following the October announcement, we noticed that there is a one-unit delivery of the VT35 in Q3. I was wondering what the plan is for the airworthiness application as well as the type certificate application. The second question, perhaps I joined the call a little bit late. I'm not sure whether you have touched on that or not. We noticed that the gross profit margin for Q3 declined slightly. Will the gross profit margin stabilize at around 60%, and what's the cause of the decline for Q3 in gross profit margin? Thank you. This is Huazhi Hu. I'll take your first question. Actually, you're right. We debuted the VT35 model on October 13. We submitted the TC application as early as March, and the airworthiness application or review progress is progressing steadily. You may have noticed that we released the VT35 route flight demo at the October press conference. It has successfully completed multiple key tests, including wind tunnel tests, ground load tests, multirotor test flights, and many other tests. Additionally, the design of VT35 incorporates both the multi-propeller and fixed-wing. We have accumulated rich experience in our 216S airworthiness review process, and we are going to leverage those learnings together with the R&D; team as well as the airworthiness application team that we have, which will accelerate the AC process. We are pretty confident in that.

Conor Yang: On the gross profit margin, yes, you're right. It declined slightly. The causes behind that are, for one, there are repeat purchases from some of our existing major customers, which is a good thing. Also, we have made sales to some of the distributors where we offered some discounts. These two are the causes of the decline in the gross profit margin. With regard to the VT35, we delivered one unit this quarter. However, you should know that this model is still in the trial production phase and not being mass-produced. That's why the unit cost of this model is relatively high. But we have secured orders for VT35, which will hopefully bring down the unit cost of the VT35. Over the long term, we expect our gross margin to remain stable at around 60%, but you are going to see the gross profit margin fluctuate slightly as we introduce more products to enrich our product mix. For instance, the unmanned business such as the drone formation performance, firefighting, and logistic aircraft, etc., as that increases, it's going to cause fluctuations in the gross profit margin. But over the long run, we expect a 60% gross profit margin. Thank you.

Operator: Thank you. Your next question comes from Jason Sung with BDS Bank. Please go ahead.

Pardon me. Your line may be muted. Pardon me, Jason. You may ask your question. Your line may be muted.

Operator: Once again, you may press star 1 to join the question queue. We'll now pause a moment to allow for any final questions. Pardon me. That is all the time we have for questions this evening. Thank you for participating. You may now disconnect.