



Duos Technologies Group, Inc.

Q1 about inline and maintains strong 2023 guidance. Continued strong growth for its RIP over the next year should drive stock higher. Raising P/T to \$8.50.

Q1 about inline: Duos recently (on May 15) reported its fiscal Q1 2023 (ending March) results. Revenue was \$2.6 million (+84% y-o-y), compared to our estimates of \$2.7 million and consensus of \$2.5 million. EPS was \$(0.30), compared to our estimate of \$(0.25) and consensus of \$(0.29). There was no Q1 guidance.

Strong Q1 growth: Q1 benefited from the deployment of two additional RIPs for Class 1 railroad customers, significantly increasing its revenue base.

Slight decrease in backlog: Backlog at Q1 was \$9.4 million, down from \$10.7 at Q4. Of which ~\$7.7 million is expected to be recognized in 2023.

Maintains strong 2023 guidance: The company maintained 2023 guidance for revenue of \$20 – 21 million. The company expects Q2 revenue of ~\$2.6 million.

Adjusting estimates: We are maintaining our 2023 revenue estimates of \$20 million, but lowering it for EPS to \$(0.66) from \$(0.61).

Focused on RIP (Railcar Inspection Portal): The company has developed the Railcar Inspection Portal (RIP) that provides both freight and transit railroad customers and select government agencies the ability to conduct fully automated inspections of trains while they are in transit.

RIP system and benefits: The RIP system, which incorporates a variety of sophisticated optical technologies, illumination and other sensors, scans each passing railcar to create an extremely high-resolution image set from a variety of angles including the undercarriage. These images are then processed through various methods of artificial intelligence (“AI”) algorithms to identify specific defects and/or areas of interest on each railcar.

7 million scans in 2022: Duos believes the market opportunity for its Rail Inspection Portal (RIP) business is substantial. In 2022, the company estimated that it performed over seven million comprehensive railcar scans. Of this, it estimated that 573,000 were unique railcars, representing ~35% of the total freight car population in North America. While this may seem a lot, there are a lot of rules and regulations requiring rail car inspections such that there are still a lot of market growth opportunities.

Market opportunities: There are an estimated 1.6 million railcars, 140,000 track miles, and over 500 rail yards in North America. There is a big push by federal regulators and railroad companies to move towards advanced technology and automation to reduce costs, increase efficiency, and improve safety.

Recent train derailments can be major opportunities: The recent (in February 2023) major train derailment in Ohio of highly hazardous materials may be a catalyst for the railroads or its regulatory agencies to elevate safety inspections requirements including using Duos RIP technologies. The development of the Rail Safety Act of 2023 may be highly beneficial to Duos.

New capital: In Q1, the company raised \$4 million selling preferred stock (convertible at \$3.00/share). We believe the company has enough cash into 2024.

Positive risks versus rewards: Overall, concerns outweighed by growth prospects and valuation. Duo’s main RIP product has long commercialization challenges ahead, but we believe the ~billion dollars market potential presents high rewards for the risks.

Current valuation attractive: We are maintaining our BUY rating, but raising our 12-month price target to \$8.50 from \$5.25 based on a NPV analysis. This represents significant upside from the current share price and we believe appropriately balances out the high risks with large upside opportunities.

Company Description

Duos Technologies Group, based in Jacksonville, FL develops and operates intelligent vision based inspection technology solutions for rail, logistics, intermodal, and government customers.

United States
Technology

June 1, 2023

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COMPANY UPDATE

Rating: **BUY**

Ticker: DUOT

Price: \$5.62
(intraday)

Target: \$8.50
(from \$5.25)

Stock Data

Exchange:	NasdaqCM
52-week Range:	1.80 – 5.71
Shares Outstanding (million):	8.4
Market cap (\$million):	\$47
EV (\$million):	\$43
Debt (\$million):	\$0
Cash (\$million):	\$4
Avg. Daily Trading Vol. (\$million):	\$0.3
Float (million shares):	4
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	2.6A	2.7E	3.0E	3.1E
Q2 Jun	2.6E	4.2E	3.0E	4.7E
Q3 Sep	5.4E	5.2E	6.1E	5.9E
Q4 Dec	<u>9.3E</u>	<u>7.9E</u>	<u>10.4E</u>	<u>8.8E</u>
Total	20.0E		22.4E	
EV/Revs	2.2x		1.9x	

Earnings per Share (pro forma)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	(0.30)A	(0.25)E	(0.17)E	(0.18)E
Q2 Jun	(0.21)E	(0.19)E	(0.13)E	(0.12)E
Q3 Sep	(0.15)E		(0.12)E	
Q4 Dec	<u>(0.02)E</u>	<u>(0.04)E</u>	<u>0.06E</u>	<u>0.05E</u>
Total	(0.66)E	(0.61)E	(0.36)E	
P/E	N/A		N/A	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 12.

OVERVIEW

- Duos recently (on May 15) reported its fiscal Q1 2023 (ending March) results.
- Revenue was \$2.6 million (+84% y-o-y), compared to our estimates of \$2.7 million and consensus of \$2.5 million.
- EPS was \$(0.30), compared to our estimate of \$(0.25) and consensus of \$(0.29).
- There was no Q1 guidance.
- The company maintained 2023 guidance for revenue of \$20 – 21 million.
- The company expects Q2 revenue of ~\$2.6 million.
- We are maintaining our 2023 revenue estimates of \$20 million, but lowering it for EPS to \$(0.66) from \$(0.61).
- We are maintaining our 2024 estimates for revenue of \$22 million, and for EPS of \$(0.36).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$0.5 million, compared with our estimate of \$0.9 million.
- Gross margin for the quarter was 20%, versus 15% last year and our expectation of 32%.
- Operating expenses were \$2.7 million, versus our expectation of \$2.7 million.
- Operating loss was \$2.1 million, versus our expectation of a loss of \$1.8 million.
- Net loss was \$2.1 million, versus our expectation of a loss of \$1.8 million.

- In November, the company appointed Andrew Murphy, formerly the company's Vice President of Finance, as its new Chief Financial Officer. Mr. Murphy replaces Adrian Goldfarb who will remain with Duos in a consulting capacity and will take on a new position within Duos' newly formed Industry Advisory Group.

The company's balance sheet had \$4 million in cash and no debt, compared with \$1 million in cash and no debt at the end of December. In March (Q1), the company raised \$4 million selling preferred stock (convertible at \$3.00/share).

Exhibit 1: Duos Technologies Group Corporate Overview (as of January 2023)



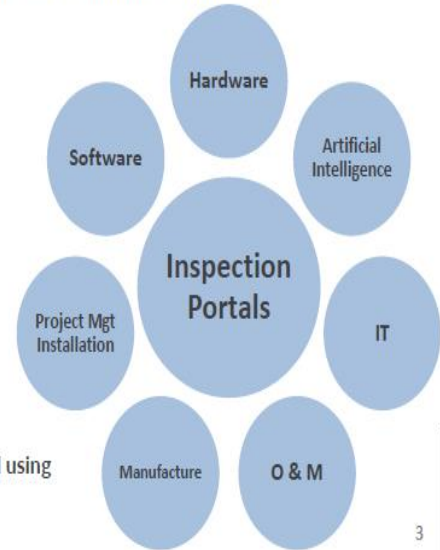
Duos Technologies Overview – Nasdaq: DUOT



Advanced technology company that specializes in **Machine Vision & Artificial Intelligence** to analyze fast moving objects.

We help customers move commerce safer and more efficiently.

- Headquarters in Jacksonville, FL
- ~ 75 Employees
- 15 x Portals deployed/contracted
- FY 2021 Revenue: \$8M
- FY 2022 Revenue: ~\$16.5 - \$18.0M
- FY 2023 Revenue: ~\$20.0 - \$24.0M
(Objective)



All aspects of solutions self-performed using our intellectual property and patents.

duostech | Nasdaq: DUOT
connected intelligence

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Source: Company reports.

Exhibit 2: Duos Investment Highlights (as of January 2023)

Investment Highlights



Significant Global Market Opportunities*

- Combined North American markets exceed **\$24B**
- **\$3.5B** Rail Transportation
- **\$2.3B** Global Cargo Inspection
- **\$4.7B** Aviation Maintenance and Repair Operations
- **\$13.5B** 5G/Edge Data Centers

* Multiple sources previously cited



Strong Rail Industry Tailwinds

- Industry rapidly moving toward automation and optimization to reduce costs, increase safety and improve efficiency
- Planned deployments of Duos owned portals in strategic locations on North American rail network



Expanded Potential Customer Base

- Multiple multi-million dollar deployments announced in 2022 continuing in 2023
- Potential for 100s of additional customers through **new subscription data** program



Superior Proprietary Technology

- Spent majority of 2021 on further developing in-house technologies to enable exponential scaling in 2022 – 20
- Significant capabilities to acquire **value added data** for Class 1 & transit rail companies



Improving Financial Position

- 2021 revenue of **\$8.25 million**
- 2022 expected revenue of **\$16.5 - \$18 million with improved margins anticipated**
- Improved Balance sheet with sufficient working capital
- **Strengthening cash position to tackle subscription market**
- Increasing project scopes & recurring revenue base



Built for the Future

- Expanded AI and deep learning functionality
- Developed "**Expert AI**" concept
- Launch **AI Detection Catalogue**
- Ongoing Focus on AI and Software Technology
- Expect increased margins and recurring revenues



Exhibit 3: Duos Railcar Inspection Portal (RIP)

Our Rail Solution

rip® is a **modular** intelligent visualization system that provides **real-time**, high resolution, **four-sided 360° imagery** of railcars at high speeds.

Railcar Inspection Portal (**rip**®) modules

apis® Automated Pantograph Inspection System

vue® Vehicle Undercarriage Examiner

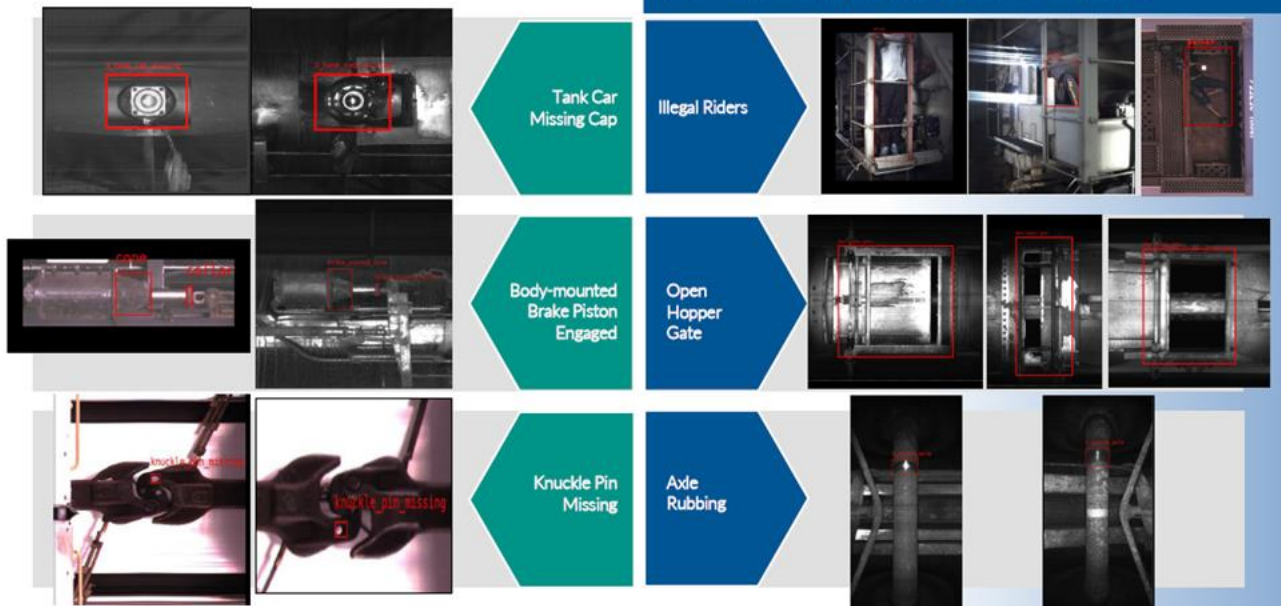
t-vue™ Thermal Vehicle Undercarriage Examiner

obliquevue™ Oblique Vehicle Undercarriage Examiner



Examples of Freight Railcar AI Detections

95%+ reliability ; portfolio of 28 AI Use Cases

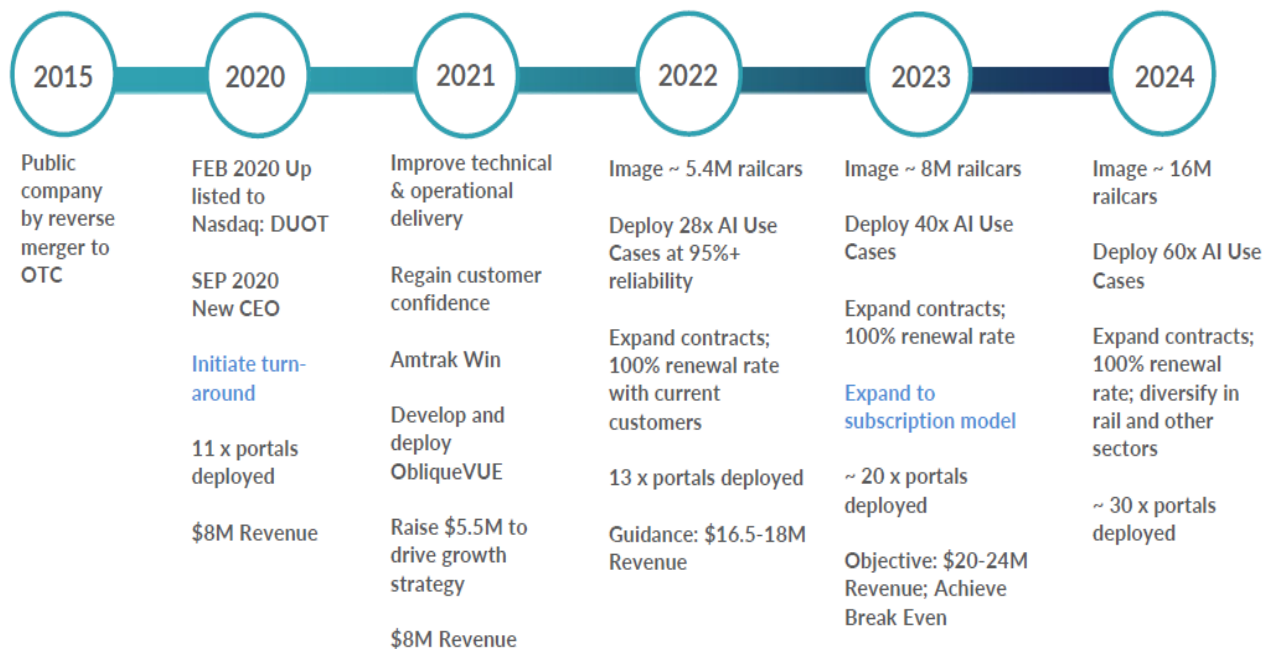


Source: Company reports.

Exhibit 4: Duos Recent History and Future Growth Plans (as of January 2023)

<p>2020-2021 BUSINESS TURNED AROUND Phase 0</p> 	<p>IMPROVED CUSTOMER EXPERIENCE</p> <ul style="list-style-type: none"> • Technical Delivery / QA&QC • Operational • Expand customer base / completing initial R&D phase • Recurring Revenue
<p>2022 INITIAL GROWTH Phase 1</p> 	<p>EXPAND RAIL CUSTOMER BASE</p> <ul style="list-style-type: none"> • Pivot into other sectors through Business Development & R&D Architecture • M&A
<p>2023-24 GROWTH EXPANSION Phase 2</p> 	<p>EXPAND GLOBAL MARKET OPPORTUNITY</p> <ul style="list-style-type: none"> • International Transportation Markets

History and Future Pathway



Source: Company reports.

Exhibit 5: Q1 2023 and Recent Highlights (as of May 15, 2023)

First Quarter 2023 and Recent Operational Highlights

Announced an add-on award of \$1.9 million for the enhancement of a planned Railcar Inspection Portal (“rip®” or “RIP®”) system in the passenger transportation sector, pushing the total contract value to more than \$13.5 million. This latest addition is part of a long-term installation of the Company's most advanced RIP system, which will capture high-speed images of railcars at up to 125 miles per hour.

Performed over 1.7 million comprehensive railcar scans in the first quarter across 11 portals, of which more than 238,000 were unique railcars. This metric encompasses all railcars scanned at locations across the U.S., Canada, and Mexico, representing approximately 15% of the total freight car population in North America.

Released eight new AI detection models for use within the Company's RIP solution since the beginning of the year. The Company currently has 37 models deployed and operational for freight and transit customers with plans to deploy more than 50 different models by the end of 2023.

Signed strategic partnership with a regional railroad to identify and deploy RIPs to monitor their railcar fleet.

Filed two additional patent applications related to the process and method for detecting defects on moving trains and inspecting aircraft during ground operations.

Provided input to the Rail Safety Act of 2023 on technology for wayside detection. This Bill recently made it through the U.S. Senate Committee on Commerce, Science, and Transportation. It is expected to be voted upon in the full Senate.

As of the end of the first quarter, the Company had \$9.4 million of revenue in backlog and expects \$7.7 million to be recognized during the remainder 2023.

Source: Company reports.

Exhibit 6: Duos Technologies Group, Inc. Stock Price (5-Years)



Source: <https://bigcharts.marketwatch.com/>

Exhibit 7: Consensus Expectations (as of May 15, 2023)

	Revenue (mil)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$2.5E		Q1 Mar	\$(0.29)E	
Q2 Jun	\$4.2E		Q2 Jun	\$(0.20)E	
Q3 Sep			Q3 Sep		
Q4 Dec			Q4 Dec		
Total	\$20.1E	\$25.1E	Total	\$(0.63)E	\$(0.19)E

*Quarterly estimates may not add to annual estimates due to variations in contributing estimates and rounding.

Source: Company report, Refinitiv, and Ascendant Capital Markets estimates

FINANCIAL MODEL

Duos Technologies Group, Inc.

Income Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	2.2	0.6	1.7	3.7	8.3	1.4	3.6	4.0	5.9	15.0	2.6	2.6	5.4	9.3	20.0	3.0	3.0	6.1	10.4	22.4
<u>Cost of Revenues</u>	2.7	2.2	2.8	3.1	10.8	1.2	2.3	2.9	3.8	10.3	2.1	1.7	3.5	5.8	13.1	1.9	1.9	3.7	6.1	13.6
Gross Profit	(0.6)	(1.5)	(1.1)	0.6	(2.6)	0.2	1.3	1.1	2.1	4.7	0.5	0.9	2.0	3.5	6.9	1.0	1.1	2.4	4.3	8.8
Sales & marketing	0.3	0.4	0.4	0.2	1.2	0.3	0.4	0.3	0.4	1.3	0.3	0.7	0.5	0.5	1.9	0.3	0.5	0.5	0.5	1.8
Research & development	0.1	0.1	0.1	0.1	0.3	0.4	0.5	0.3	0.4	1.7	0.4	0.7	0.6	0.5	2.1	0.3	0.5	0.5	0.6	2.0
Administration	0.9	1.0	1.0	0.6	3.4	2.1	1.8	2.3	2.4	8.6	2.0	1.3	2.2	2.8	8.3	1.9	1.2	2.4	2.6	8.1
Restructuring and other					0.0					0.0					0.0					0.0
Total operating expenses	1.2	1.4	1.4	0.9	4.9	2.9	2.7	3.0	3.1	11.6	2.7	2.6	3.3	3.7	12.3	2.5	2.2	3.5	3.7	12.0
Operating income (loss)	(1.8)	(2.9)	(2.4)	(0.2)	(7.5)	(2.6)	(1.4)	(1.9)	(1.0)	(6.9)	(2.1)	(1.7)	(1.3)	(0.2)	(5.4)	(1.5)	(1.2)	(1.1)	0.5	(3.2)
Interest income (expense)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other income (expense)	1.4	0.0	0.0	0.0	1.5	0.0	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(0.4)	(3.0)	(2.5)	(0.2)	(6.0)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(1.7)	(1.3)	(0.2)	(5.4)	(1.5)	(1.2)	(1.1)	0.5	(3.2)
Income taxes	0.0				0.0					0.0					0.0					0.0
Net income (loss)	(0.4)	(3.0)	(2.5)	(0.2)	(6.0)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(1.7)	(1.3)	(0.2)	(5.4)	(1.5)	(1.2)	(1.1)	0.5	(3.2)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	(0.4)	(3.0)	(2.5)	(0.2)	(6.0)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(1.7)	(1.3)	(0.2)	(5.4)	(1.5)	(1.2)	(1.1)	0.5	(3.2)
EBITDA	(1.6)	(2.7)	(2.3)	0.1	(6.5)	(2.2)	(1.0)	(1.8)	(0.6)	(5.5)	(1.9)	(1.5)	(1.1)	0.0	(4.5)	(1.3)	(0.9)	(0.9)	0.7	(2.4)
Shares, Basic	3.5	3.6	3.6	4.2	3.7	5.4	6.1	6.5	6.9	6.2	7.2	8.4	8.5	8.6	8.2	8.7	8.8	8.9	9.0	8.9
Shares, Diluted	3.5	3.6	3.6	4.2	3.7	5.4	6.1	6.5	6.9	6.2	7.2	8.4	8.5	8.6	8.2	8.7	8.8	8.9	9.0	8.9
EPS Basic (pro forma)	(\$0.11)	(\$0.83)	(\$0.68)	(\$0.05)	(\$1.63)	(\$0.49)	(\$0.22)	(\$0.30)	(\$0.14)	(\$1.11)	(\$0.30)	(\$0.21)	(\$0.15)	(\$0.02)	(\$0.66)	(\$0.17)	(\$0.13)	(\$0.12)	\$0.06	(\$0.36)
EPS Diluted (pro forma)	(\$0.11)	(\$0.83)	(\$0.68)	(\$0.05)	(\$1.63)	(\$0.49)	(\$0.22)	(\$0.30)	(\$0.14)	(\$1.11)	(\$0.30)	(\$0.21)	(\$0.15)	(\$0.02)	(\$0.66)	(\$0.17)	(\$0.13)	(\$0.12)	\$0.06	(\$0.36)
Margins																				
Gross margin	-27%	-237%	-61%	17%	-31%	15%	35%	27%	36%	32%	20%	34%	36%	38%	35%	35%	37%	39%	41%	39%
Sales & marketing	14%	54%	21%	6%	15%	20%	10%	7%	6%	9%	12%	25%	9%	5%	10%	10%	18%	8%	5%	8%
Research & development	3%	12%	3%	1%	3%	30%	15%	8%	6%	11%	15%	25%	11%	5%	11%	10%	18%	9%	6%	9%
Administration	41%	151%	55%	16%	41%	149%	49%	58%	40%	57%	75%	50%	40%	30%	41%	65%	40%	40%	25%	36%
Operating margin	-85%	-455%	-141%	-6%	-90%	-184%	-39%	-46%	-16%	-46%	-81%	-66%	-24%	-2%	-27%	-50%	-39%	-18%	5%	-14%
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	-19%	-455%	-141%	-5%	-73%	-184%	-37%	-48%	-16%	-46%	-81%	-66%	-24%	-2%	-27%	-50%	-39%	-18%	5%	-14%
YY % change																				
Total Revenue	117%	-67%	36%	-2%	3%	-33%	458%	131%	60%	82%	84%	-27%	35%	57%	33%	12%	12%	12%	12%	12%
Gross margin	-12%	-920%	331%	-82%	-192%	-139%	-183%	-203%	247%	-286%	142%	-30%	78%	65%	46%	93%	22%	21%	21%	27%
Sales & marketing	-57%	13%	3%	-42%	72%	-77%	32%	-21%	28%	8%	-77%	115%	-26%	-5%	44%	-85%	80%	-9%	7%	-4%
Research & development	-98%	30%	-28%	-5%	-93%	74%	21%	-38%	8%	556%	-75%	63%	-10%	-22%	29%	-86%	80%	3%	14%	-6%
Administration	-83%	12%	-2%	-38%	-32%	-37%	-17%	32%	1%	153%	-77%	-33%	65%	28%	-4%	-77%	-39%	106%	7%	-1%
Operating income (loss)	-13%	107%	-10%	-42%	12%	45%	-53%	-24%	301%	-8%	-19%	25%	-30%	-81%	-22%	-31%	-34%	-16%	-380%	-40%
Net income (loss)	-81%	101%	-10%	-53%	-11%	551%	-55%	-21%	377%	14%	-19%	30%	-32%	-80%	-22%	-31%	-34%	-16%	-372%	-40%
EPS Diluted (pro forma)	-86%	100%	-11%	-61%	-20%	330%	-73%	-56%	191%	-32%	-39%	-6%	-48%	-84%	-41%	-43%	-37%	-20%	-360%	-45%

Source: Company reports and Ascendant Capital Markets estimates.

Duos Technologies Group, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Assets																	
Cash and cash equivalents	7.1	4.8	2.3	0.9	5.3	6.3	5.0	1.1	4.3	2.6	1.2	1.4	(0.2)	(1.8)	(3.2)	(3.0)	
Short term investments									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts receivable, net	1.4	0.2	0.4	1.8	0.3	0.3	2.2	3.4	0.7	1.2	2.4	4.1	1.3	1.3	2.7	4.6	
Contract assets	0.0	0.2	0.2	0.0	0.3	0.7	0.8	0.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	
Inventory				0.3	0.3	0.8	0.7	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	
Deferred income taxes									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Prepaid expenses and other</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.3</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>1.1</u>	<u>1.9</u>	<u>1.1</u>	<u>1.1</u>	<u>2.3</u>	<u>3.9</u>	
Total current assets	9.2	6.0	3.5	3.3	7.1	8.8	9.4	6.8	8.5	7.2	7.7	10.3	5.2	3.6	4.7	8.4	
Property and equipment, net	0.3	0.4	0.4	0.6	0.6	0.6	0.7	0.6	0.6	0.4	0.7	0.6	0.8	0.8	1.0	1.3	
Operating lease				4.9	4.8	4.8	4.7	4.7	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	
Intangibles, net	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Deferred income tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Other</u>	<u>0.2</u>	<u>0.1</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	
Total assets	9.7	6.5	4.6	9.5	13.2	15.0	15.6	13.1	14.9	13.4	14.1	16.7	11.8	10.1	11.5	15.4	
Liabilities and stockholders' equity																	
Accounts payable	0.7	0.5	1.0	1.0	1.0	1.3	1.6	2.3	1.3	1.3	2.6	4.5	1.7	1.7	3.4	5.8	
Accounts payable - related party	0.0	0.0							0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accrued expenses	1.0	1.3	1.2	0.6	0.6	0.5	0.5	0.5	0.4	0.5	1.1	1.9	1.2	0.6	1.2	2.1	
Deferred revenue	1.3	1.1	0.9	0.6					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Deferred income tax									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contract liabilities				1.2	2.4	5.0	3.9	1.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
Warrant liabilities									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.4	0.2	0.6	0.4	0.5	0.6	0.5	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	
<u>Short term debt</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.0</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	
Total current liabilities	3.6	3.2	3.7	3.9	4.5	7.6	6.6	4.5	4.7	4.8	6.8	9.4	5.9	5.3	7.7	10.9	
Deferred income taxes									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Warrant liabilities									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other long term liabilities	0.1	0.1	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Leases				4.7	4.7	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	
Deferred revenue									0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<u>Long term debt</u>									<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
Total other liabilities	0.1	0.1	0.0	4.8	4.7	4.6	4.6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	
Preferred stock	6.2	6.2	6.2	3.4	0.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.5	0.7	0.8	
Additional paid-in capital	39.9	40.0	40.1	43.1	51.4	51.6	55.9	56.6	60.4	60.4	60.4	60.4	60.4	60.4	60.4	60.4	
Retained earnings	(39.9)	(42.8)	(45.3)	(45.5)	(48.1)	(49.5)	(51.4)	(52.4)	(54.5)	(56.3)	(57.6)	(57.7)	(59.2)	(60.4)	(61.5)	(61.0)	
Other	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
<u>Accumulated other comprehensive income</u>									<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
Total stockholders' equity	6.1	3.2	0.9	0.8	3.9	2.8	4.3	4.1	5.7	4.1	2.9	2.8	1.4	0.4	(0.6)	0.0	
Total stockholders' equity and liabil	9.7	6.5	4.6	9.5	13.2	15.0	15.6	13.1	14.9	13.4	14.1	16.7	11.8	10.1	11.5	15.4	

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	32%	114%	37%	8%	58%	20%	16%	7%	20%	20%	20%	20%	37%	37%	37%	37%
A/P as % of total rev	32%	82%	56%	28%	67%	36%	41%	39%	48%	48%	48%	48%	56%	56%	56%	56%
Accrued exp related as % of total rev	46%	197%	68%	17%	41%	14%	12%	8%	14%	20%	20%	20%	40%	20%	20%	20%
Activity Ratios																
A/R Days Sales Outstanding	58	33	20	43	21	8	50	52	24	40	40	40	40	40	40	40
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$1.71	\$0.89	\$0.24	\$0.19	\$0.74	\$0.46	\$0.67	\$0.59	\$0.80	\$0.49	\$0.34	\$0.32	\$0.16	\$0.04	-\$0.07	\$0.00
Cash per Share (diluted)	\$2.00	\$1.36	\$0.63	\$0.21	\$1.00	\$1.03	\$0.77	\$0.16	\$0.61	\$0.31	\$0.15	\$0.16	-\$0.02	-\$0.20	-\$0.36	-\$0.34
Net cash per Share (diluted)	\$1.93	\$1.31	\$0.61	\$0.20	\$0.96	\$1.00	\$0.75	\$0.16	\$0.58	\$0.28	\$0.12	\$0.14	-\$0.04	-\$0.22	-\$0.38	-\$0.36

Source: Company reports and Ascendant Capital Markets estimates

Duos Technologies Group, Inc.

Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(0.4)	(3.0)	(2.5)	(0.2)	(6.0)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(1.7)	(1.3)	(0.2)	(5.4)	(1.5)	(1.2)	(1.1)	0.5	(3.2)	
Depreciation	0.1	0.1	0.1	(0.0)	0.3	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	
Amortization	0.0	0.1	(0.1)	0.3	0.3	0.1	0.1	(0.2)	0.0	0.0				0.0						0.0	
Debt related amortization expense					0.0					0.0					0.0					0.0	
Dividend					0.0					0.0					0.0					0.0	
Stock comp	0.1	0.1	0.1	0.1	0.4	0.3	0.2	0.2	0.3	1.0	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	
Deferred rent					0.0					0.0					0.0					0.0	
A/R reserves			0.1		0.1					0.0					0.0					0.0	
Deferred income taxes					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant liability					0.0					0.0					0.0					0.0	
Writedowns and impairments					0.0					0.0					0.0					0.0	
Other gains/losses	(1.4)			0.0	(1.4)					0.0					0.0					0.0	
Other					0.0				0.2	0.2	0.1				0.1					0.0	
Changes in operating assets and liabilities:																					
Accounts receivable	(0.2)	1.1	(0.3)	(1.2)	(0.6)	1.4	0.0	(1.9)	(1.2)	(1.7)	2.7	(0.5)	(1.2)	(1.7)	(0.7)	2.8	0.0	(1.4)	(1.9)	(0.5)	
Contract assets	0.1	(0.1)	(0.1)	0.2	0.1	(0.3)	(0.4)	(0.1)	0.4	(0.4)	(1.0)				(1.0)					0.0	
Inventory				(0.2)	(0.2)	(0.0)	(0.5)	0.1	(0.7)	(1.1)	(0.1)				(0.1)					0.0	
Prepaid expenses & other curre	0.0	0.1	0.2	0.2	0.4	(0.3)	0.0	0.2	0.3	0.3	0.2	0.0	(0.6)	(0.8)	(1.1)	0.8	0.0	(1.2)	(1.6)	(2.0)	
Income tax					0.0					0.0					0.0					0.0	
Other assets			(0.6)		(0.6)			0.2	(0.2)	0.0		0.0	0.0	0.0	0.0					0.0	
Accounts payable	0.1	(0.2)	0.4	0.1	0.4	(0.1)	0.4	0.3	0.6	1.2	(1.0)	(0.0)	1.4	1.9	2.2	(2.8)	(0.0)	1.7	2.4	1.3	
Accrued expenses	(0.0)	0.1	0.1	(0.7)	(0.5)	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.1)	0.2	0.6	0.8	1.4	(0.7)	(0.6)	0.6	0.9	0.2	
Contract liabilities	(0.5)	0.0	0.3	0.7	0.5	0.5	2.7	(1.1)	(2.9)	(0.9)	1.1				1.1					0.0	
Deferred revenue	1.0	(0.2)	(0.2)	(0.3)	0.3					0.0					0.0					0.0	
Other liabilities	(0.0)	(0.1)	0.1	0.0	0.0	0.1	(0.0)	0.0	0.1	0.2	(0.0)	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(1.3)	(1.9)	(2.3)	(1.1)	(6.6)	(0.8)	1.1	(4.1)	(4.0)	(7.9)	(0.0)	(1.8)	(1.0)	0.2	(2.7)	(1.2)	(1.5)	(1.1)	0.5	(3.3)	
Cash flow from investing activities																					
Purchases of property and equip	(0.1)	(0.1)	(0.1)	(0.2)	(0.5)	(0.1)	(0.0)	(0.3)	0.1	(0.3)	(0.0)	0.1	(0.3)	(0.0)	(0.4)	(0.3)	(0.0)	(0.4)	(0.3)	(1.1)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions	(0.0)				(0.0)		(0.0)	0.0	(0.3)	(0.3)	(0.2)				(0.2)					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing acti	(0.1)	(0.1)	(0.1)	(0.2)	(0.6)	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)	(0.3)	0.1	(0.3)	(0.0)	(0.6)	(0.3)	(0.0)	(0.4)	(0.3)	(1.1)	
Cash flow from financing activities																					
Issuance of debt		(0.2)	0.2		0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.0)	(0.0)	(0.3)	(0.1)	(0.4)	(0.2)	(0.1)	(0.1)	(0.0)	(0.4)	(0.2)				(0.2)					0.0	
Issuance of stock	4.5				4.5	5.5	0.0	3.2	0.4	9.2	3.7	0.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises					0.0					0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
Cash provided by (used in) fina	4.5	(0.2)	(0.1)	(0.1)	4.1	5.4	(0.1)	3.1	0.4	8.7	3.5	0.0	0.0	0.0	3.5	0.0	0.0	0.0	0.0	0.0	
Effect of exchange rate on cash					0.0					0.0					0.0					0.0	
Net increase (decrease) in cash	3.1	(2.2)	(2.6)	(1.4)	(3.1)	4.4	0.9	(1.3)	(3.8)	0.2	3.2	(1.8)	(1.3)	0.1	0.2	(1.6)	(1.6)	(1.4)	0.1	(4.4)	
Beginning cash and equivalents	4.0	7.1	4.8	2.3	4.0	0.9	5.3	6.3	5.0	0.9	1.1	4.3	2.6	1.2	1.1	1.4	(0.2)	(1.8)	(3.2)	1.4	
Ending cash and equivalents	7.1	4.8	2.3	0.9	0.9	5.3	6.3	5.0	1.1	1.1	4.3	2.6	1.2	1.4	1.4	(0.2)	(1.8)	(3.2)	(3.0)	(3.0)	

Source: Company reports and Ascendant Capital Markets estimates

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Duos Technologies Group, Inc.

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			Count	Percent
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Total	50	100%	18	36%

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