



Duos Technologies Group, Inc.

Slight Q2 miss but maintains strong 2023 guidance. Continued strong growth for its RIP over the next year should drive stock higher. Lowering P/T to \$8.25.

Slight Q2 miss: Duos recently (on August 14) reported its fiscal Q2 2023 (ending June) results. Revenue was \$1.8 million (-51% y-o-y), compared to our and consensus estimates of \$2.6 million. EPS was \$(0.42), compared to our estimate of \$(0.21) and consensus of \$(0.23). Q2 guidance was for revenue of ~\$2.6 million.

Q2 decline: Q2 was negatively affected by delays in production and manufacturing of two high-speed RIP for a passenger transit client.

Slight decrease in backlog: Backlog at Q2 was \$7.8 million, down from \$9.4 at Q1. Of which ~\$3 - 5 million is expected to be recognized in 2023.

Maintains 2023 guidance: Duos maintained 2023 guidance for revenue of \$20 – 21 million. Q3 revenue are expected to “moderately increase” from Q2’s.

Lowering estimates: We are lowering our 2023 estimates for revenue to \$19 million, from \$20 million, and for EPS to \$(0.95) from \$(0.66).

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 should be highly beneficial to Duos.

New capital: In Q3 (just completed, the company raised \$5 million selling preferred stock (convertible at \$6.20/share). We believe the company has enough cash into 2025.

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 lowering our 12-month price target to \$8.25 from \$8.50 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

October 5, 2023

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COMPANY UPDATE

Rating: **BUY**

Ticker: DUOT

Price: \$4.58

Target: \$8.25
(from \$8.50)

Stock Data

| | |
|--------------------------------------|-------------|
| Exchange: | NasdaqCM |
| 52-week Range: | 1.80 – 7.20 |
| Shares Outstanding (million): | 10 |
| Market cap (\$million): | \$46 |
| EV (\$million): | \$38 |
| Debt (\$million): | \$0 |
| Cash (\$million): | \$8 |
| Avg. Daily Trading Vol. (\$million): | \$0.3 |
| Float (million shares): | 4 |
| Short Interest (million shares): | ~0 |
| Dividend, annual (yield): | \$0 (NA%) |

Revenues (US\$ million)

| | <u>2023E</u> (Cur.) | <u>2023E</u> (Old) | <u>2024E</u> (Cur.) | <u>2024E</u> (Old) |
|--------------|------------------------|-----------------------|------------------------|-----------------------|
| Q1 Mar | 2.6A | | 3.0E | |
| Q2 Jun | 1.8A | 2.6E | 3.1E | 3.0E |
| Q3 Sep | 2.4E | 5.4E | 3.0E | 6.1E |
| Q4 Dec | <u>12.1E</u> | <u>9.3E</u> | <u>13.3E</u> | <u>10.4E</u> |
| Total | 19.0E | 20.0E | 22.4E | |
| EV/Revs | 2.0x | | 1.7x | |

Earnings per Share (pro forma)

| | <u>2023E</u> (Cur.) | <u>2023E</u> (Old) | <u>2024E</u> (Cur.) | <u>2024E</u> (Old) |
|--------------|------------------------|-----------------------|------------------------|-----------------------|
| Q1 Mar | (0.30)A | | (0.20)E | (0.17)E |
| Q2 Jun | (0.42)A | (0.21)E | (0.16)E | (0.13)E |
| Q3 Sep | (0.24)E | (0.15)E | (0.07)E | (0.12)E |
| Q4 Dec | <u>(0.00)E</u> | <u>(0.02)E</u> | <u>0.07E</u> | <u>0.06E</u> |
| Total | (0.95)E | (0.66)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 August 14) reported its fiscal Q2 2023 (ending June) results.
- Revenue was \$1.8 million (-51% y-o-y), compared to our and consensus estimates of \$2.6 million.
- EPS was \$(0.42), compared to our estimate of \$(0.21) and consensus of \$(0.23).
- Q2 guidance was for revenue of ~\$2.6 million. In late June, the company preannounced Q2 revenues of \$1.8 - 2.1 million.
- The company maintained 2023 guidance for revenue of \$20 – 21 million.
- The company expects Q3 revenue to “moderately increase” from Q2’s \$1.8 million.
- We are lowering our 2023 estimates for revenue to \$19 million, from \$20 million, and for EPS to \$(0.95) from \$(0.66).
- 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 \$0.2 million, compared with our estimate of \$0.9 million.
- Gross margin for the quarter was 14%, versus 35% last year and our expectation of 34%.
- Operating expenses were \$3.4 million, versus our expectation of \$2.6 million.
- Operating loss was \$3.1 million, versus our expectation of a loss of \$1.7 million.
- Net loss was \$3.0 million, versus our expectation of a loss of \$1.7 million.

The company’s balance sheet had \$3 million in cash and no debt, compared with \$4 million in cash and no debt at the end of March. In August (just completed Q3), the company raised \$5 million selling preferred stock (convertible at \$6.20/share).

Exhibit 1: Duos Technologies Group Corporate Overview



Duos Technologies Overview – Nasdaq: DUOT

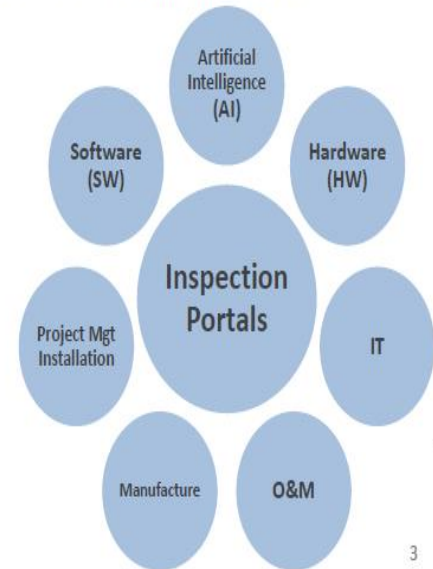


Advanced technology company that specializes in **Machine Vision & Artificial Intelligence** to analyze fast moving objects.

We help customers move commerce more safely and efficiently.

- Headquarters in Jacksonville, FL
- ~ 76 employees
- 15 portals deployed/contracted

Only company in the rail space that self-performs all aspects of HW, SW, IT, and AI.



duostech | Nasdaq: DUOT
connected intelligence

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Source: Company reports.

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

Investment Highlights



Significant Global Market Opportunities*

- Combined North American markets exceed **\$10B**
 - **\$3.5B** Rail Transportation
 - **\$2.3B** Global Cargo Inspection
 - **\$4.7B** Aviation Maintenance and Repair Operations

* Multiple sources previously cited



Rail Industry Tailwinds

- **Rail Safety Act of 2023**
- 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



Improving Financial Position

- 2021 revenue of **\$8.3 million**
- 2022 revenue of **\$15.0 million**
- Improved Balance Sheet with sufficient working capital
- **Strengthening cash position to tackle subscription market**
- Increasing project scopes & recurring revenue base



Artificial Intelligence Revolution

- Only company in the rail space that self-performs all aspects of HW, SW, IT and AI
- Plans to grow **AI catalogue** to over 100 detections in the next 24 months



Source: Company reports.

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

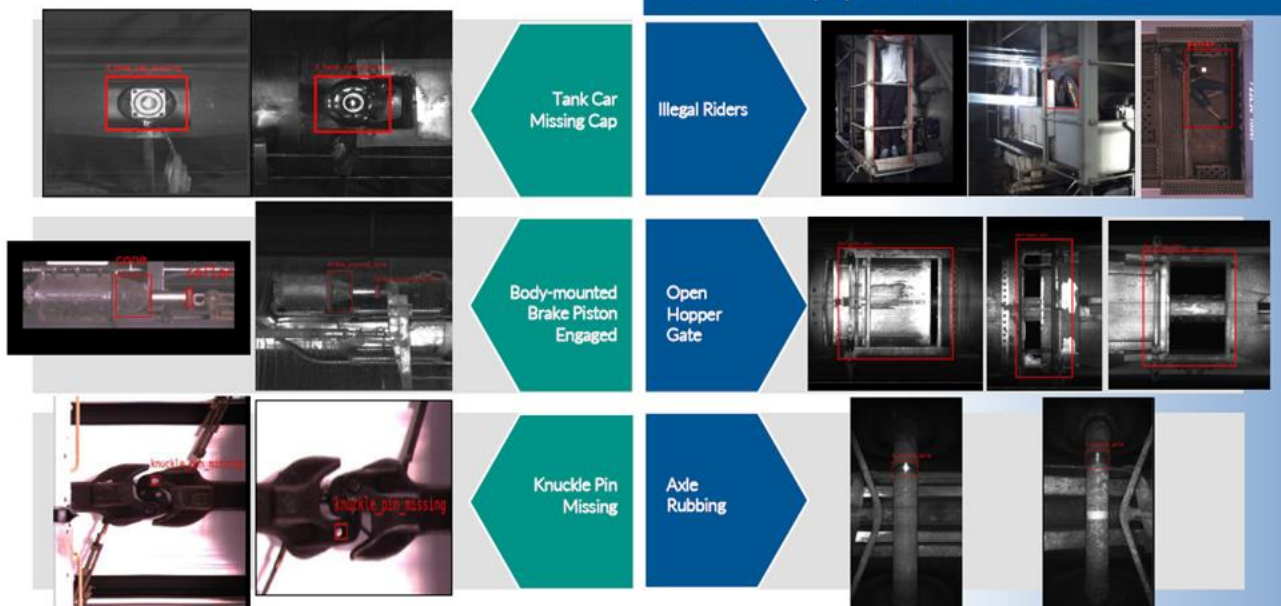
t-vue™ Thermal Vehicle Undercarriage Examiner

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 September 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

| | | | | | |
|---|--|---|--|---|---|
| 2015 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Public company by reverse merger to OTC | FEB 2020 uplisted to Nasdaq: DUOT SEP 2020 New CEO Initiate turn-around 11 portals deployed \$8M revenue | Improve technical & operational delivery Regain customer confidence Amtrak win Develop and deploy ObliqueVUE \$8M revenue | Scan ~ 7M railcars Deploy 28 AI use cases at 95%+ reliability Expand contracts; 100% renewal rate with current customers 13 portals deployed \$15M revenue Complete turn-around | Increased focus on artificial intelligence solution: Deploy 50+ AI use cases Rail Safety Act of 2023 introduced Expand to subscription model Scan ~ 9M railcars ~ Target 15-20 portals deployed by YE | Target: Scan ~ 16-20M* railcars Target: Deploy up to 75 AI use cases Target: Expand contracts with 100% renewal rate; diversify in rail and other sectors Target: Deploy up to 25-30 portals by YE Target: Achieve profitability/break even |

Source: Company reports.

Exhibit 5: Q2 2023 and Recent Highlights (as of August 14, 2023)

Second 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 \$13.7 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.

Implemented first subscription services agreement with a passenger transit operator. In connection with the agreement, Duos will offer access to its RIP and optional artificial intelligence detection models for key inspection points. The agreement, renewable annually, is initially valued at \$300,000 and encompasses customer training, installation, and railcar data services across up to three existing, active portals.

Performed over 2.1 million comprehensive railcar scans in the second quarter across 13 portals. This metric encompasses all railcars scanned at locations across the U.S., Canada, and Mexico.

Released new AI detection model covering end-of-car cushion inspection, detecting a condition which could potentially lead to derailments, for use with the Company’s RIP solution. The new model was developed in response to a specific customer request and deployed during mid Q2. The Company currently has over 40 models deployed and operational for freight and transit customers with plans to deploy more than 50 different models by the end of 2023.

Upgraded the Company’s centraco[®] and truevue360[™] systems to enable near “real-time” reporting and facilitate immediate alerts to on-board personnel of any issue that is deemed critical.

Appointed rail industry veteran Frank Lonegro to the Board of Directors. Mr. Lonegro enjoyed a long and distinguished career at CSX Corporation and currently serves as the Chief Financial Officer for Beacon Roofing Supply, a Fortune 500 company. His addition brings the Company’s board composition back to five total directors, four of whom are independent.

As of the end of the second quarter, the Company had \$7.8 million of revenue in backlog and expects \$3.0 million to 5.0 million to be recognized during the remainder of 2023.

Strengthened industry collaborations with Dell Technologies and NVIDIA to support AI development and achieve significant increases in performance at near “real-time” reporting.

Source: Company reports.

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



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

Exhibit 7: Consensus Expectations (as of August 14, 2023)

| | Revenue (mil) | | | EPS | |
|--------|---------------|---------|--------|-----------|-----------|
| | 2023E | 2024E | | 2023E | 2024E |
| Q1 Mar | \$2.6A | | Q1 Mar | \$(0.30)A | |
| Q2 Jun | \$2.6E | | Q2 Jun | \$(0.23)E | |
| Q3 Sep | \$5.5E | | Q3 Sep | \$(0.17)E | |
| Q4 Dec | | | Q4 Dec | | |
| Total | \$20.0E | \$25.1E | Total | \$(0.69)E | \$(0.24)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 | Q2A | 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 | 1.8 | 2.4 | 12.1 | 19.0 | 3.0 | 3.1 | 3.0 | 13.3 | 22.4 |
| Cost of Revenues | 2.7 | 2.2 | 2.8 | 3.1 | 10.8 | 1.2 | 2.3 | 2.9 | 3.8 | 10.3 | 2.1 | 1.5 | 1.6 | 7.5 | 12.7 | 1.9 | 2.0 | 1.8 | 8.0 | 13.7 |
| Gross Profit | (0.6) | (1.5) | (1.1) | 0.6 | (2.6) | 0.2 | 1.3 | 1.1 | 2.1 | 4.7 | 0.5 | 0.2 | 0.8 | 4.6 | 6.2 | 1.0 | 1.1 | 1.2 | 5.3 | 8.7 |
| Sales & marketing | 0.3 | 0.4 | 0.4 | 0.2 | 1.2 | 0.3 | 0.4 | 0.3 | 0.4 | 1.3 | 0.3 | 0.3 | 0.1 | 0.6 | 1.4 | 0.3 | 0.6 | 0.2 | 0.7 | 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 | 0.5 | 0.7 | 0.6 | 2.3 | 0.3 | 0.6 | 0.3 | 0.8 | 1.9 |
| Administration | 0.9 | 1.0 | 1.0 | 0.6 | 3.4 | 2.1 | 1.8 | 2.3 | 2.4 | 8.6 | 2.0 | 2.6 | 1.7 | 3.4 | 9.6 | 1.9 | 1.2 | 1.2 | 3.3 | 7.7 |
| 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 | 3.4 | 2.6 | 4.6 | 13.2 | 2.5 | 2.4 | 1.7 | 4.8 | 11.4 |
| 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) | (3.1) | (1.7) | 0.0 | (7.0) | (1.5) | (1.2) | (0.5) | 0.5 | (2.7) |
| 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 | 0.2 | 0.0 | 0.0 | 0.2 | 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) | (3.0) | (1.7) | (0.0) | (6.9) | (1.5) | (1.2) | (0.5) | 0.5 | (2.7) |
| Income taxes | | | | | 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) | (3.0) | (1.7) | (0.0) | (6.9) | (1.5) | (1.2) | (0.5) | 0.5 | (2.7) |
| 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) | (3.0) | (1.7) | (0.0) | (6.9) | (1.5) | (1.2) | (0.5) | 0.5 | (2.7) |
| EBITDA | (1.6) | (2.7) | (2.3) | 0.1 | (6.5) | (2.2) | (1.0) | (1.8) | (0.6) | (5.5) | (1.9) | (2.6) | (1.4) | 0.4 | (5.5) | (1.1) | (0.8) | (0.2) | 0.9 | (1.3) |
| Shares, Basic | 3.5 | 3.6 | 3.6 | 4.2 | 3.7 | 5.4 | 6.1 | 6.5 | 6.9 | 6.2 | 7.2 | 7.2 | 7.3 | 7.4 | 7.2 | 7.5 | 7.6 | 7.7 | 7.8 | 7.6 |
| Shares, Diluted | 3.5 | 3.6 | 3.6 | 4.2 | 3.7 | 5.4 | 6.1 | 6.5 | 6.9 | 6.2 | 7.2 | 7.2 | 7.3 | 7.4 | 7.2 | 7.5 | 7.6 | 7.7 | 7.8 | 7.6 |
| 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) | (\$0.42) | (\$0.24) | (\$0.00) | (\$0.95) | (\$0.20) | (\$0.16) | (\$0.07) | \$0.07 | (\$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) | (\$0.42) | (\$0.24) | (\$0.00) | (\$0.95) | (\$0.20) | (\$0.16) | (\$0.07) | \$0.07 | (\$0.36) |
| Margins | | | | | | | | | | | | | | | | | | | | |
| Gross margin | -27% | -237% | -61% | 17% | -31% | 15% | 35% | 27% | 36% | 32% | 20% | 14% | 35% | 38% | 33% | 35% | 37% | 39% | 40% | 39% |
| Sales & marketing | 14% | 54% | 21% | 6% | 15% | 20% | 10% | 7% | 6% | 9% | 12% | 17% | 6% | 5% | 7% | 10% | 18% | 8% | 5% | 8% |
| Research & development | 3% | 12% | 3% | 1% | 3% | 30% | 15% | 8% | 6% | 11% | 15% | 30% | 30% | 5% | 12% | 10% | 18% | 9% | 6% | 9% |
| Administration | 41% | 151% | 55% | 16% | 41% | 149% | 49% | 58% | 40% | 57% | 75% | 144% | 70% | 28% | 51% | 65% | 40% | 40% | 25% | 34% |
| Operating margin | -85% | -455% | -141% | -6% | -90% | -184% | -39% | -46% | -16% | -46% | -81% | -178% | -71% | 0% | -37% | -50% | -39% | -18% | 4% | -12% |
| 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% | -169% | -71% | 0% | -36% | -50% | -39% | -18% | 4% | -12% |
| YY % change | | | | | | | | | | | | | | | | | | | | |
| Total Revenue | 117% | -67% | 36% | -2% | 3% | -33% | 458% | 131% | 60% | 82% | 84% | -51% | -40% | 104% | 26% | 12% | 75% | 23% | 10% | 18% |
| Gross margin | -12% | -920% | 331% | -82% | -192% | -139% | -183% | -203% | 247% | -286% | 142% | -81% | -23% | 115% | 31% | 93% | 375% | 37% | 16% | 39% |
| Sales & marketing | -57% | 13% | 3% | -42% | 72% | -77% | 32% | -21% | 28% | 8% | -77% | -2% | -52% | 319% | 2% | -78% | 88% | -57% | 180% | 29% |
| Research & development | -98% | 30% | -28% | -5% | -93% | 74% | 21% | -38% | 8% | 556% | -75% | 33% | 35% | -16% | 38% | -87% | 88% | -52% | 199% | -15% |
| Administration | -83% | 12% | -2% | -38% | -32% | -37% | -17% | 32% | 1% | 153% | -77% | 29% | -34% | 101% | 11% | -80% | -36% | -4% | 180% | -20% |
| Operating income (loss) | -13% | 107% | -10% | -42% | 12% | 45% | -53% | -24% | 301% | -8% | -19% | 126% | -8% | -100% | 2% | -31% | -62% | -69% | #DIV/0! | -62% |
| Net income (loss) | -81% | 101% | -10% | -53% | -11% | 551% | -55% | -21% | 377% | 14% | -19% | 123% | -11% | -99% | 0% | -31% | -59% | -69% | ##### | -60% |
| EPS Diluted (pro forma) | -86% | 100% | -11% | -61% | -20% | 330% | -73% | -56% | 191% | -32% | -39% | 89% | -21% | -99% | -15% | -34% | -62% | -70% | -9779% | -62% |

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 | Q2A | 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 | 2.5 | 5.2 | 4.6 | 4.7 | 3.2 | 2.5 | 2.5 | |
| Short term investments | | | | | | | | | | | 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 | 0.3 | 1.1 | 5.4 | 1.3 | 1.4 | 1.3 | 5.9 | |
| Contract assets | 0.0 | 0.2 | 0.2 | 0.0 | 0.3 | 0.7 | 0.8 | 0.4 | 1.4 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | |
| 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 | |
| Prepaid expenses and other | 0.7 | 0.7 | 0.6 | 0.3 | 0.8 | 0.7 | 0.7 | 0.4 | 0.5 | 0.5 | 0.7 | 3.4 | 1.1 | 1.1 | 1.1 | 4.9 | |
| Total current assets | 9.2 | 6.0 | 3.5 | 3.3 | 7.1 | 8.8 | 9.4 | 6.8 | 8.5 | 5.8 | 9.5 | 16.0 | 9.7 | 8.3 | 7.5 | 15.9 | |
| Property and equipment, net | 0.3 | 0.4 | 0.4 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.9 | 0.8 | 1.0 | 1.0 | 1.4 | 1.7 | |
| Operating lease | | | | 4.9 | 4.8 | 4.8 | 4.7 | 4.7 | 4.6 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | |
| Intangibles, net | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 | 0.5 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | |
| Deferred income tax | | | | | | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Other | 0.2 | 0.1 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | |
| Total assets | 9.7 | 6.5 | 4.6 | 9.5 | 13.2 | 15.0 | 15.6 | 13.1 | 14.9 | 12.3 | 16.3 | 22.7 | 16.7 | 15.2 | 14.8 | 23.5 | |
| Liabilities and stockholders' equity | | | | | | | | | | | | | | | | | |
| Accounts payable | 0.7 | 0.5 | 1.0 | 1.0 | 1.0 | 1.3 | 1.6 | 2.3 | 1.3 | 0.8 | 1.0 | 5.2 | 1.7 | 1.7 | 1.7 | 7.5 | |
| Accounts payable - related party | 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 | 0.3 | 0.5 | 2.4 | 1.2 | 0.6 | 0.6 | 2.7 | |
| Deferred revenue | 1.3 | 1.1 | 0.9 | 0.6 | | | | | | | 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 | |
| Contract liabilities | | | | 1.2 | 2.4 | 5.0 | 3.9 | 1.0 | 2.1 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | |
| Warrant liabilities | | | | | | | | | | | 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 | |
| Short term debt | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.0 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | |
| Total current liabilities | 3.6 | 3.2 | 3.7 | 3.9 | 4.5 | 7.6 | 6.6 | 4.5 | 4.7 | 4.5 | 5.0 | 11.1 | 6.3 | 5.8 | 5.7 | 13.6 | |
| Deferred income taxes | | | | | | | | | | | 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 | |
| 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 | |
| Leases | | | | 4.7 | 4.7 | 4.6 | 4.6 | 4.5 | 4.5 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | |
| Deferred revenue | | | | | | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Long term debt | | | | | | | | | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Total other liabilities | 0.1 | 0.1 | 0.0 | 4.8 | 4.7 | 4.6 | 4.6 | 4.5 | 4.5 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | |
| 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 | 0.0 | 0.3 | 0.5 | 0.8 | 1.0 | 1.3 | 1.6 | |
| Additional paid-in capital | 39.9 | 40.0 | 40.1 | 43.1 | 51.4 | 51.6 | 55.9 | 56.6 | 60.4 | 61.0 | 61.0 | 61.0 | 61.0 | 61.0 | 61.0 | 61.0 | |
| Retained earnings | (39.9) | (42.8) | (45.3) | (45.5) | (48.1) | (49.5) | (51.4) | (52.4) | (54.5) | (57.5) | (59.2) | (59.2) | (60.7) | (61.9) | (62.5) | (61.9) | |
| 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) | |
| Accumulated other comprehensive income | | | | | | | | | | | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| Total stockholders' equity | 6.1 | 3.2 | 0.9 | 0.8 | 3.9 | 2.8 | 4.3 | 4.1 | 5.7 | 3.4 | 6.9 | 7.2 | 6.0 | 5.0 | 4.7 | 5.5 | |
| Total stockholders' equity and liabil | 9.7 | 6.5 | 4.6 | 9.5 | 13.2 | 15.0 | 15.6 | 13.1 | 14.9 | 12.3 | 16.3 | 22.7 | 16.7 | 15.2 | 14.8 | 23.5 | |

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 | Q2A | Q3E | Q4E | Q1E | Q2E | Q3E | Q4E |
| Prepaid as % of total rev | 32% | 114% | 37% | 8% | 58% | 20% | 16% | 7% | 20% | 28% | 28% | 28% | 37% | 37% | 37% | 37% |
| A/P as % of total rev | 32% | 82% | 56% | 28% | 67% | 36% | 41% | 39% | 48% | 43% | 43% | 43% | 56% | 56% | 56% | 56% |
| Accrued exp related as % of total rev | 46% | 197% | 68% | 17% | 41% | 14% | 12% | 8% | 14% | 17% | 20% | 20% | 40% | 20% | 20% | 20% |
| Activity Ratios | | | | | | | | | | | | | | | | |
| A/R Days Sales Outstanding | 58 | 33 | 20 | 43 | 21 | 8 | 50 | 52 | 24 | 15 | 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 | \$0.47 | \$0.95 | \$0.97 | \$0.80 | \$0.66 | \$0.62 | \$0.71 |
| Cash per Share (diluted) | \$2.00 | \$1.36 | \$0.63 | \$0.21 | \$1.00 | \$1.03 | \$0.77 | \$0.16 | \$0.61 | \$0.34 | \$0.72 | \$0.63 | \$0.64 | \$0.43 | \$0.33 | \$0.32 |
| Net cash per Share (diluted) | \$1.93 | \$1.31 | \$0.61 | \$0.20 | \$0.96 | \$1.00 | \$0.75 | \$0.16 | \$0.58 | \$0.31 | \$0.69 | \$0.59 | \$0.60 | \$0.40 | \$0.30 | \$0.29 |

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 | Q2A | 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) | (3.0) | (1.7) | (0.0) | (6.9) | (1.5) | (1.2) | (0.5) | 0.5 | (2.7) | |
| 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 | | 0.2 | | 0.2 | | | | | | 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 | 0.3 | 0.3 | 0.3 | 0.9 | 0.3 | 0.3 | 0.3 | 0.3 | 1.0 | |
| 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 | |
| Change in fair value of warrant liability | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | 0.0 | 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 | | | | | 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 | 0.4 | (0.8) | (4.3) | (2.0) | 4.1 | (0.1) | 0.1 | (4.6) | (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) | 0.3 | | | (0.7) | | | | | 0.0 | |
| Inventory | | | | (0.2) | (0.2) | (0.0) | (0.5) | 0.1 | (0.7) | (1.1) | (0.1) | (0.0) | | | (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 | 0.2 | (0.2) | (2.7) | (2.5) | 2.3 | (0.1) | 0.0 | (3.8) | (1.5) | |
| 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 | 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) | (0.5) | 0.3 | 4.2 | 2.9 | (3.6) | 0.1 | (0.1) | 5.8 | 2.3 | |
| Accrued expenses | (0.0) | 0.1 | 0.1 | (0.7) | (0.5) | (0.0) | (0.1) | (0.0) | (0.0) | (0.2) | (0.1) | (0.1) | 0.2 | 1.9 | 2.0 | (1.2) | (0.6) | (0.0) | 2.1 | 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 | 0.4 | | | 1.5 | | | | | 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) | (0.1) | 0.0 | 0.0 | (0.1) | 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) | (1.9) | (1.9) | (0.6) | (4.4) | 0.5 | (1.5) | (0.2) | 0.3 | (0.8) | |
| Cash flow from investing activities | | | | | | | | | | | | | | | | | | | | | |
| Purchases of property and equi | (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) | (0.5) | (0.3) | (0.0) | (0.5) | (0.3) | (1.3) | |
| 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) | | | (0.4) | | | | | 0.0 | |
| Other | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | | | | | 0.0 | |
| Net cash used in investing activ | (0.1) | (0.1) | (0.1) | (0.2) | (0.6) | (0.1) | (0.1) | (0.2) | (0.2) | (0.6) | (0.3) | (0.3) | (0.3) | (0.0) | (0.9) | (0.3) | (0.0) | (0.5) | (0.3) | (1.3) | |
| 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 | |
| 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) | (0.1) | | | (0.3) | | | | | 0.0 | |
| Issuance of stock | 4.5 | | | | 4.5 | 5.5 | 0.0 | 3.2 | 0.4 | 9.2 | 3.7 | 0.3 | 0.0 | 0.0 | 4.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Proceeds from stock option exercises | | | | | 0.0 | | | | | 0.0 | | 0.1 | | | 0.1 | | | | | 0.0 | |
| Other | | | | | 0.0 | | | | | 0.0 | | | 5.0 | | 5.0 | | | | | 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 | 0.3 | 5.0 | 0.0 | 8.8 | 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 | (1.9) | 2.8 | (0.6) | 3.5 | 0.1 | (1.5) | (0.7) | (0.0) | (2.1) | |
| 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 | 2.5 | 5.2 | 1.1 | 4.6 | 4.7 | 3.2 | 2.5 | 4.6 | |
| 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 | 2.5 | 5.2 | 4.6 | 4.6 | 4.7 | 3.2 | 2.5 | 2.5 | 2.5 | |

Source: Company reports and Ascendant Capital Markets estimates

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Duos Technologies Group, Inc.

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| Rating | Count | Percent | Investment Banking Services Past 12 months | |
|--------|-------|---------|---|---------|
| | | | Count | Percent |
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| Hold | 0 | 0% | 0 | 0% |
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| Total | 52 | 100% | 16 | 31% |

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