



# Duos Technologies Group, Inc.

*Q3 miss and removes 2023 guidance. However, growth for its RIP over the next year should drive stock higher. Lowering P/T to \$6.50.*

United States  
Technology

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## COMPANY UPDATE

**Rating: BUY**

Ticker: DUOT

Price: \$2.98

Target: \$6.50  
(from \$8.25)

**Q3 miss:** Duos recently (on November 14) reported its fiscal Q3 2023 (ending September) results. Revenue was \$1.5 million (-62% y-o-y), compared to our and consensus estimates of \$2.4 million. EPS was \$(0.41), compared to our estimate of \$(0.24) and consensus of \$(0.32). Q3 guidance was for revenue to “moderately increase” from Q2’s \$1.8 million.

**Q3 decline:** Q3 (similar to Q2) was negatively affected again by delays in production and manufacturing of two high-speed RIP for a passenger transit client.

**Decrease in backlog:** Backlog at Q3 was \$6.4 million, down from \$7.8 at Q2. Of which ~\$1 -2 million is expected to be recognized in 2023.

**Removed 2023 guidance:** The company removed its 2023 guidance which was previously for revenue of \$20 – 21 million.

**Lowering estimates:** We are lowering our 2023 estimates for revenue to \$10 million, from \$19 million, and for EPS to \$(1.31) from \$(0.95).

**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, the company raised \$5 million selling preferred stock. 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 \$6.50 from \$8.25 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.

### Stock Data

Exchange:	NasdaqCM
52-week Range:	1.80 – 7.20
Shares Outstanding (million):	10
Market cap (\$million):	\$30
EV (\$million):	\$27
Debt (\$million):	\$0
Cash (\$million):	\$3
Avg. Daily Trading Vol. (\$million):	\$0.2
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		2.7E	3.0E
Q2 Jun	1.8A		2.7E	3.1E
Q3 Sep	1.5A	2.4E	4.6E	3.0E
Q4 Dec	<u>4.4E</u>	<u>12.1E</u>	<u>9.0E</u>	<u>13.3E</u>
<b>Total</b>	<b>10.3E</b>	<b>19.0E</b>	<b>19.0E</b>	<b>22.4E</b>
EV/Revs	3x		1x	

### 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		(0.24)E	(0.20)E
Q2 Jun	(0.42)A		(0.22)E	(0.16)E
Q3 Sep	(0.41)A	(0.24)E	(0.14)E	(0.07)E
Q4 Dec	<u>(0.19)E</u>	<u>(0.00)E</u>	<u>0.05E</u>	<u>0.07E</u>
<b>Total</b>	<b>(1.31)E</b>	<b>(0.95)E</b>	<b>(0.54)E</b>	<b>(0.36)E</b>
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 November 14) reported its fiscal Q3 2023 (ending September) results.
- Revenue was \$1.5 million (-62% y-o-y), compared to our and consensus estimates of \$2.4 million.
- EPS was \$(0.41), compared to our estimate of \$(0.24) and consensus of \$(0.32).
- Q3 guidance was for revenue to “moderately increase” from Q2’s \$1.8 million.
- The company removed its 2023 guidance which was previously for revenue of \$20 – 21 million.
- There is no Q4 guidance.
- We are lowering our 2023 estimates for revenue to \$10 million, from \$19 million, and for EPS to \$(1.31) from \$(0.95).
- We are lowering our 2024 estimates for revenue to \$19 million, from \$22 million, and for EPS to \$(0.54) from \$(0.36).

**ADDITIONAL DETAILS**

- Gross profit for the quarter was \$0.2 million, compared with our estimate of \$0.8 million.
- Gross margin for the quarter was 15%, versus 27% last year and our expectation of 35%.
- Operating expenses were \$3.2 million, versus our expectation of \$2.6 million.
- Operating loss was \$3.0 million, versus our expectation of a loss of \$1.7 million.
- Net loss was \$2.9 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 \$3 million in cash and no debt at the end of June. In Q3, the company raised \$5 million selling preferred stock (convertible at \$6.20/share). In November (current Q4), the company raised \$2.5 million selling preferred stock.

Exhibit 1: Duos Technologies Group Corporate Overview



## Duos Technologies Overview – Nasdaq: DUOT

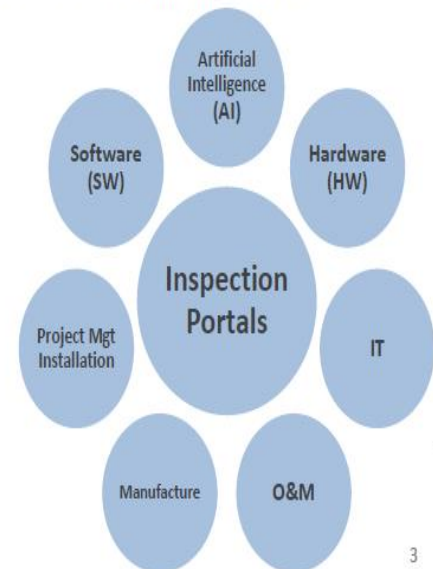


Advanced technology company that specializes in **Machine Vision & Artificial Intelligence** to analyze fast moving objects.

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 December 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

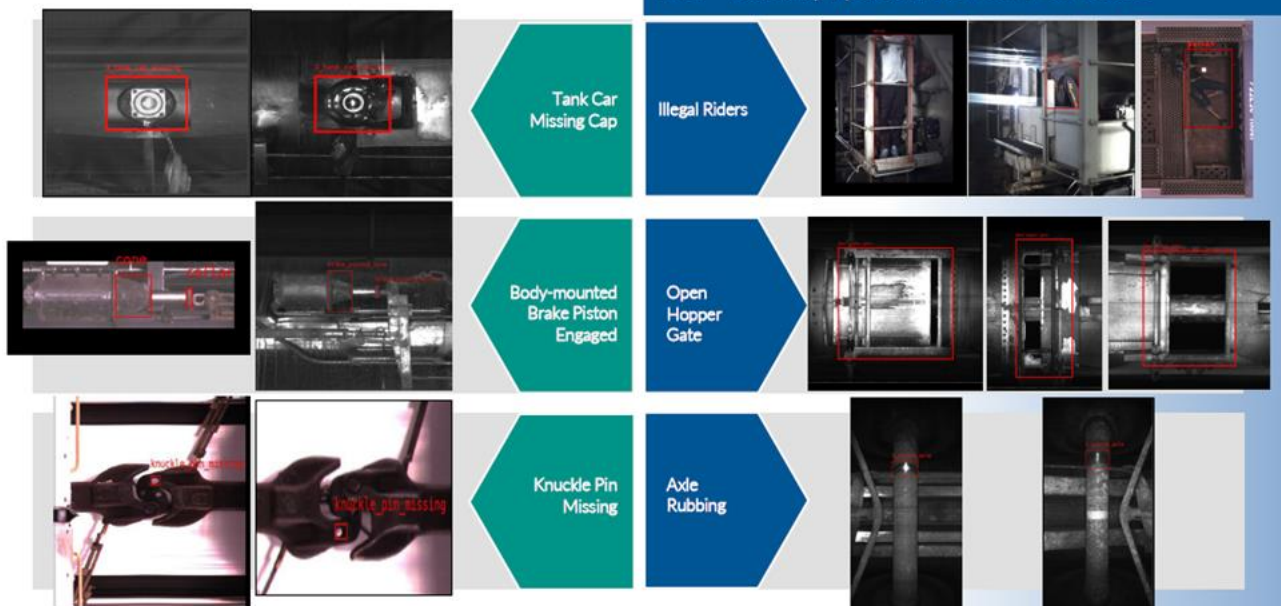
**t-vue**™ Thermal Vehicle Undercarriage Examiner

**obliquevue**™ Oblique Vehicle Undercarriage Examiner



## Examples of Freight Railcar AI Detections

95%+ reliability ; portfolio of 28 AI Use Cases

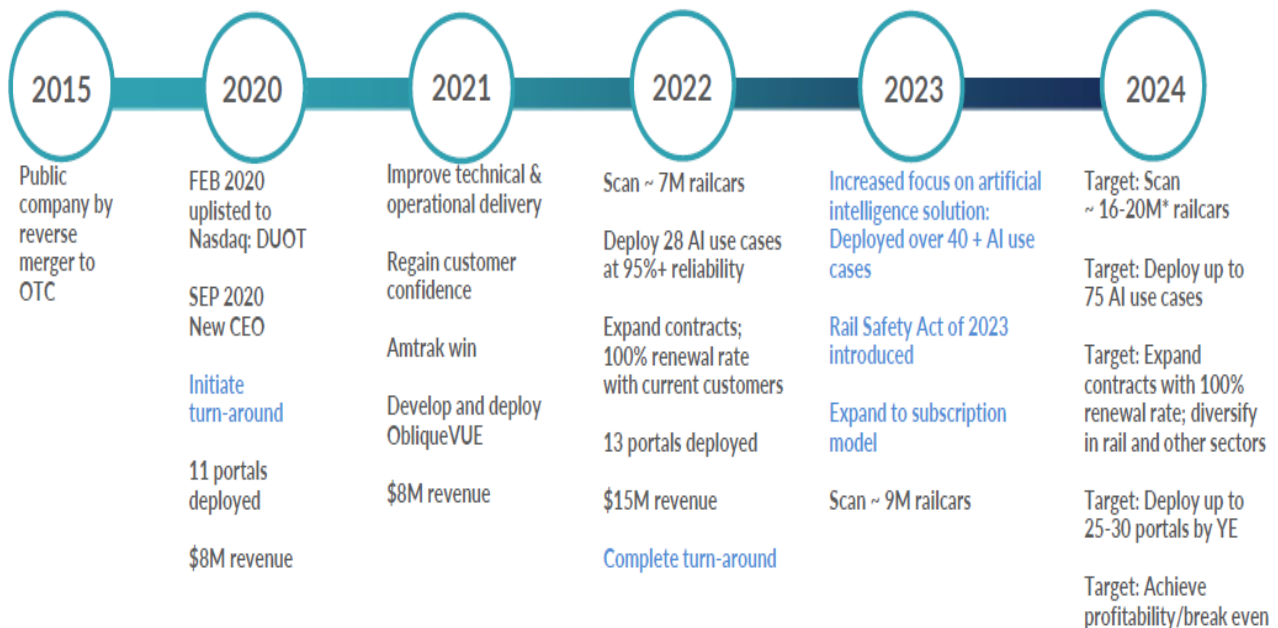


Source: Company reports.

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



## History and Future Pathway



Source: Company reports.

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## Exhibit 5: Q3 2023 and Recent Highlights (as of November 14, 2023)

### Third Quarter 2023 and Recent Operational Highlights

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

Performed 2.3 million comprehensive railcar scans in the third quarter across 13 portals. This metric encompasses all railcars scanned at locations across the U.S., Canada, and Mexico.

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 power and logistics industry veteran Christopher King as Chief Commercial Officer. King joins Duos with over 20 years of operational and commercial leadership experience within the energy and supply chain sectors. In this role, King will be focused on commercial and technical delivery in support of current and prospective customers as well as building an intensified growth strategy and strengthening the Company's technical strategic partners as it expands its offerings and transitions to a recurring subscription model.

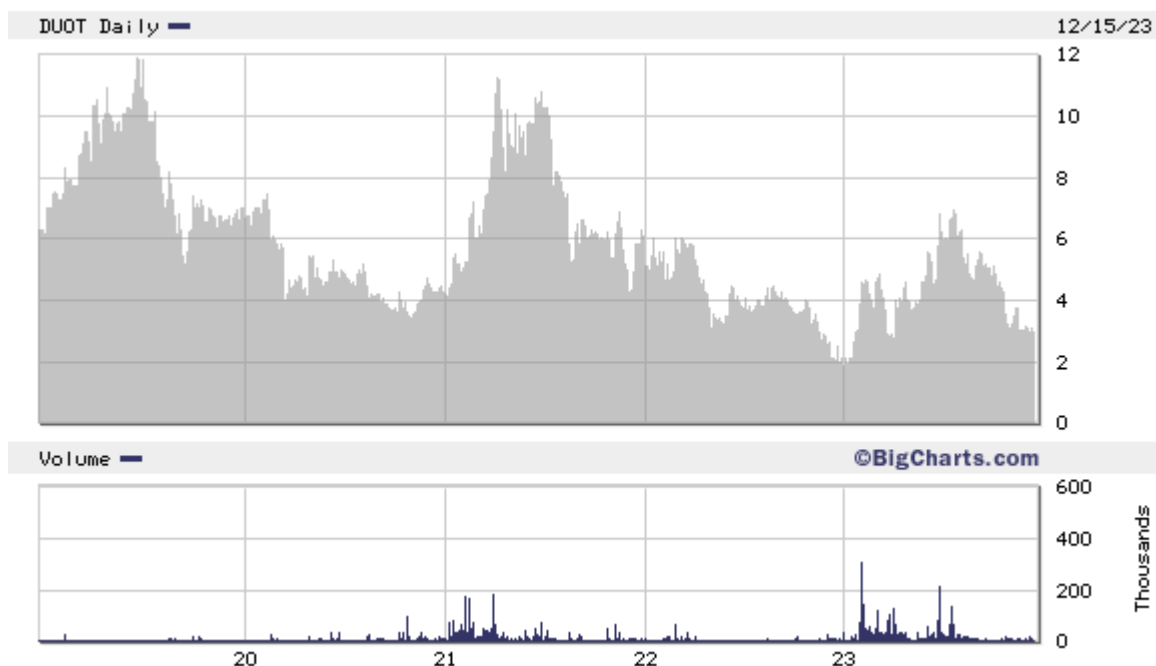
As of the end of the third quarter, the Company had \$6.4 million of revenue in backlog and expects \$1.0 million to \$2.0 million to be recognized during the remainder of 2023.

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.

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



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

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

	Revenue (mil)			EPS	
	2023E	2024E		2023E	2024E
Q1 Mar	\$2.6A		Q1 Mar	\$(0.30)A	
Q2 Jun	\$1.8A		Q2 Jun	\$(0.42)A	
Q3 Sep	\$2.4E		Q3 Sep	\$(0.32)E	
Q4 Dec	\$10.7E		Q4 Dec	\$(0.03)E	
<b>Total</b>	<b>\$17.6E</b>	<b>\$25.0E</b>	<b>Total</b>	<b>\$(1.06)E</b>	<b>\$(0.38)E</b>

\*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	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	<b>2.2</b>	<b>0.6</b>	<b>1.7</b>	<b>3.7</b>	<b>8.3</b>	<b>1.4</b>	<b>3.6</b>	<b>4.0</b>	<b>5.9</b>	<b>15.0</b>	<b>2.6</b>	<b>1.8</b>	<b>1.5</b>	<b>4.4</b>	<b>10.3</b>	<b>2.7</b>	<b>2.7</b>	<b>4.6</b>	<b>9.0</b>	<b>19.0</b>
<b>Cost of Revenues</b>	<b>2.7</b>	<b>2.2</b>	<b>2.8</b>	<b>3.1</b>	<b>10.8</b>	<b>1.2</b>	<b>2.3</b>	<b>2.9</b>	<b>3.8</b>	<b>10.3</b>	<b>2.1</b>	<b>1.5</b>	<b>1.3</b>	<b>2.8</b>	<b>7.8</b>	<b>1.8</b>	<b>1.7</b>	<b>2.8</b>	<b>5.4</b>	<b>11.6</b>
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	0.2	1.6	2.6	0.9	1.0	1.8	3.6	7.3
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	0.4	0.9	1.8	0.4	0.7	0.4	0.5	1.9
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	0.5	0.9	2.3	0.4	0.7	0.4	0.5	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	2.6	2.4	1.2	8.1	1.9	1.3	2.1	2.3	7.5
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	3.2	3.0	12.3	2.7	2.7	2.8	3.2	11.4
<b>Operating income (loss)</b>	<b>(1.8)</b>	<b>(2.9)</b>	<b>(2.4)</b>	<b>(0.2)</b>	<b>(7.5)</b>	<b>(2.6)</b>	<b>(1.4)</b>	<b>(1.9)</b>	<b>(1.0)</b>	<b>(6.9)</b>	<b>(2.1)</b>	<b>(3.1)</b>	<b>(3.0)</b>	<b>(1.4)</b>	<b>(9.7)</b>	<b>(1.8)</b>	<b>(1.7)</b>	<b>(1.1)</b>	<b>0.4</b>	<b>(4.1)</b>
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)	(2.9)	(1.4)	(9.5)	(1.8)	(1.7)	(1.1)	0.4	(4.1)
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)	(2.9)	(1.4)	(9.5)	(1.8)	(1.7)	(1.1)	0.4	(4.1)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	<b>(0.4)</b>	<b>(3.0)</b>	<b>(2.5)</b>	<b>(0.2)</b>	<b>(6.0)</b>	<b>(2.6)</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>(1.0)</b>	<b>(6.9)</b>	<b>(2.1)</b>	<b>(3.0)</b>	<b>(2.9)</b>	<b>(1.4)</b>	<b>(9.5)</b>	<b>(1.8)</b>	<b>(1.7)</b>	<b>(1.1)</b>	<b>0.4</b>	<b>(4.1)</b>
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)	(2.5)	(1.1)	(8.1)	(1.4)	(1.3)	(0.7)	0.7	(2.8)
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	7.2	7.3	7.2	7.4	7.5	7.6	7.7	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	7.2	7.3	7.2	7.4	7.5	7.6	7.7	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)	(\$0.41)	(\$0.19)	(\$1.31)	(\$0.24)	(\$0.22)	(\$0.14)	\$0.05	(\$0.54)
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)	(\$0.41)	(\$0.19)	(\$1.31)	(\$0.24)	(\$0.22)	(\$0.14)	\$0.05	(\$0.54)
<b>Margins</b>																				
Gross margin	-27%	-237%	-61%	17%	-31%	15%	35%	27%	36%	32%	20%	14%	15%	36%	25%	35%	37%	39%	40%	39%
Sales & marketing	14%	54%	21%	6%	15%	20%	10%	7%	6%	9%	12%	17%	23%	20%	18%	15%	25%	8%	5%	10%
Research & development	3%	12%	3%	1%	3%	30%	15%	8%	6%	11%	15%	30%	29%	20%	22%	15%	25%	9%	6%	11%
Administration	41%	151%	55%	16%	41%	149%	49%	58%	40%	57%	75%	144%	156%	28%	79%	70%	50%	45%	25%	40%
Operating margin	-85%	-455%	-141%	-6%	-90%	-184%	-39%	-46%	-16%	-46%	-81%	-178%	-194%	-32%	-94%	-65%	-63%	-23%	4%	-22%
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%	-193%	-32%	-92%	-65%	-63%	-23%	4%	-22%
<b>Y/Y % change</b>																				
Total Revenue	117%	-67%	36%	-2%	3%	-33%	458%	131%	60%	82%	84%	-51%	-62%	-26%	-31%	2%	50%	200%	105%	83%
Gross margin	-12%	-920%	331%	-82%	-192%	-139%	-183%	-203%	247%	-286%	142%	-81%	-79%	-26%	-45%	76%	307%	691%	128%	183%
Sales & marketing	-57%	13%	3%	-42%	72%	-77%	32%	-21%	28%	8%	-77%	-2%	17%	149%	38%	-78%	64%	-45%	23%	2%
Research & development	-98%	30%	-28%	-5%	-93%	74%	21%	-38%	8%	556%	-75%	33%	-16%	96%	38%	-82%	64%	-38%	31%	-11%
Administration	-83%	12%	-2%	-38%	-32%	-37%	-17%	32%	1%	153%	-77%	29%	-6%	-49%	-6%	-77%	-30%	56%	9%	-7%
Operating income (loss)	-13%	107%	-10%	-42%	12%	45%	-53%	-24%	301%	-8%	-19%	126%	59%	47%	41%	-18%	-47%	-64%	-126%	-57%
Net income (loss)	-81%	101%	-10%	-53%	-11%	551%	-55%	-21%	377%	14%	-19%	123%	53%	48%	38%	-18%	-44%	-64%	-125%	-56%
EPS Diluted (pro forma)	-86%	100%	-11%	-61%	-20%	330%	-73%	-56%	191%	-32%	-39%	89%	36%	39%	18%	-21%	-47%	-66%	-124%	-59%

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	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	7.1	4.8	2.3	0.9	5.3	6.3	5.0	1.1	4.3	2.5	3.3	4.0	3.3	1.4	0.3	0.7
Short term investments									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	0.3	2.0	1.2	1.2	2.0	4.0
Contract assets	0.0	0.2	0.2	0.0	0.3	0.7	0.8	0.4	1.4	1.0	1.3	1.3	1.3	1.3	1.3	1.3
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
Prepaid expenses and other	0.7	0.7	0.6	0.3	0.8	0.7	0.7	0.4	0.5	0.5	0.4	1.0	1.0	1.0	1.7	3.3
<b>Total current assets</b>	<b>9.2</b>	<b>6.0</b>	<b>3.5</b>	<b>3.3</b>	<b>7.1</b>	<b>8.8</b>	<b>9.4</b>	<b>6.8</b>	<b>8.5</b>	<b>5.8</b>	<b>6.8</b>	<b>9.8</b>	<b>8.4</b>	<b>6.4</b>	<b>6.9</b>	<b>11.0</b>
Property and equipment, net	0.3	0.4	0.4	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.5	0.4	0.4	0.5	0.5
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	0.9	0.9	0.9	0.9	0.9	0.9
Deferred income tax												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
<b>Total assets</b>	<b>9.7</b>	<b>6.5</b>	<b>4.6</b>	<b>9.5</b>	<b>13.2</b>	<b>15.0</b>	<b>15.6</b>	<b>13.1</b>	<b>14.9</b>	<b>12.3</b>	<b>13.4</b>	<b>16.4</b>	<b>14.9</b>	<b>12.9</b>	<b>13.5</b>	<b>17.5</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	0.7	0.5	1.0	1.0	1.0	1.3	1.6	2.3	1.3	0.8	0.6	1.8	1.5	1.5	2.6	5.1
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	0.3	0.8	1.1	0.5	0.9	1.8
Deferred revenue	1.3	1.1	0.9	0.6								0.0	0.0	0.0	0.0	0.0
Deferred income tax												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	1.6	1.6	1.6	1.6	1.6	1.6
Warrant liabilities												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	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total current liabilities</b>	<b>3.6</b>	<b>3.2</b>	<b>3.7</b>	<b>3.9</b>	<b>4.5</b>	<b>7.6</b>	<b>6.6</b>	<b>4.5</b>	<b>4.7</b>	<b>4.5</b>	<b>3.4</b>	<b>5.1</b>	<b>5.1</b>	<b>4.5</b>	<b>6.0</b>	<b>9.4</b>
Deferred income taxes												0.0	0.0	0.0	0.0	0.0
Warrant liabilities												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
Leases				4.7	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.3	4.3	4.3	4.3	4.3
Deferred revenue												0.0	0.0	0.0	0.0	0.0
Long term debt												0.0	0.0	0.0	0.0	0.0
<b>Total other liabilities</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>4.8</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
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	0.0	0.2	0.5	0.7	1.0	1.2
Additional paid-in capital	39.9	40.0	40.1	43.1	51.4	51.6	55.9	56.6	60.4	61.0	66.3	66.3	66.3	66.3	66.3	66.3
Retained earnings	(39.9)	(42.8)	(45.3)	(45.5)	(48.1)	(49.5)	(51.4)	(52.4)	(54.5)	(57.5)	(60.4)	(61.9)	(63.6)	(65.3)	(66.3)	(66.0)
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)
Accumulated other comprehensive income												2.5	2.5	2.5	2.5	2.5
<b>Total stockholders' equity</b>	<b>6.1</b>	<b>3.2</b>	<b>0.9</b>	<b>0.8</b>	<b>3.9</b>	<b>2.8</b>	<b>4.3</b>	<b>4.1</b>	<b>5.7</b>	<b>3.4</b>	<b>5.7</b>	<b>7.0</b>	<b>5.5</b>	<b>4.0</b>	<b>3.2</b>	<b>3.8</b>
<b>Total stockholders' equity and liabilities</b>	<b>9.7</b>	<b>6.5</b>	<b>4.6</b>	<b>9.5</b>	<b>13.2</b>	<b>15.0</b>	<b>15.6</b>	<b>13.1</b>	<b>14.9</b>	<b>12.3</b>	<b>13.4</b>	<b>16.4</b>	<b>14.9</b>	<b>12.9</b>	<b>13.5</b>	<b>17.5</b>

**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	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	32%	114%	37%	8%	58%	20%	16%	7%	20%	28%	23%	23%	37%	37%	37%	37%
A/P as % of total rev	32%	82%	56%	28%	67%	36%	41%	39%	48%	43%	40%	40%	56%	56%	56%	56%
Accrued exp related as % of total rev	46%	197%	68%	17%	41%	14%	12%	8%	14%	17%	18%	18%	40%	20%	20%	20%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	58	33	20	43	21	8	50	52	24	15	15	40	40	40	40	40
<b>Book &amp; Cash Value (per share)</b>																
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	\$0.78	\$0.95	\$0.74	\$0.54	\$0.42	\$0.49
Cash per Share (diluted)	\$2.00	\$1.36	\$0.63	\$0.21	\$1.00	\$1.03	\$0.77	\$0.16	\$0.61	\$0.34	\$0.45	\$0.54	\$0.44	\$0.18	\$0.04	\$0.09
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	\$0.43	\$0.52	\$0.43	\$0.17	\$0.02	\$0.08

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	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
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)	(2.9)	(1.4)	(9.5)	(1.8)	(1.7)	(1.1)	0.4	(4.1)	
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	0.2	0.1	0.5	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	0.1	0.2	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	0.3	0.2	0.2	0.8	0.2	0.2	0.2	0.2	0.9	
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	
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					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	0.0	(1.7)	1.5	0.8	0.0	(0.9)	(2.0)	(2.1)	
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	(0.2)		(0.9)					0.0	
Inventory				(0.2)	(0.2)	(0.0)	(0.5)	0.1	(0.7)	(1.1)	(0.1)	(0.0)	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	0.1	(0.7)	(0.1)	0.0	0.0	(0.7)	(1.6)	(2.3)	
Income tax					0.0					0.0					0.0					0.0	
Other assets			(0.6)		(0.6)			0.2	(0.2)	0.0			(0.2)	0.0	(0.2)	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)	(0.1)	1.2	(0.5)	(0.3)	(0.0)	1.1	2.5	3.3	
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)	(0.0)	0.5	0.3	0.3	(0.5)	0.4	0.9	1.0	
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	(0.9)		0.6					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)	(0.1)	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	
<b>Net cash (used in) provided by</b>	<b>(1.3)</b>	<b>(1.9)</b>	<b>(2.3)</b>	<b>(1.1)</b>	<b>(6.6)</b>	<b>(0.8)</b>	<b>1.1</b>	<b>(4.1)</b>	<b>(4.0)</b>	<b>(7.9)</b>	<b>(0.0)</b>	<b>(1.9)</b>	<b>(3.7)</b>	<b>(1.8)</b>	<b>(7.4)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>(0.8)</b>	<b>0.5</b>	<b>(2.9)</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equi	(0.2)	(0.1)	(0.1)	(0.2)	(0.5)	(0.1)	(0.0)	(0.3)	0.1	(0.3)	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.2)	(0.0)	(0.4)	
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)	(0.3)		(0.7)					0.0	
Other					0.0					0.0					0.0					0.0	
<b>Net cash used in investing activ</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>(0.9)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>(0.2)</b>	<b>(0.0)</b>	<b>(0.4)</b>	
<b>Cash flow from financing activities</b>																					
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)	(0.1)		(0.4)					0.0	
Issuance of stock	4.5				4.5	5.5	0.0	3.2	0.4	9.2	3.7	0.3	5.0	0.0	9.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises					0.0					0.0		0.1	(0.0)		0.1					0.0	
Other					0.0					0.0				2.5	2.5					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</b>	<b>4.5</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>4.1</b>	<b>5.4</b>	<b>(0.1)</b>	<b>3.1</b>	<b>0.4</b>	<b>8.7</b>	<b>3.5</b>	<b>0.3</b>	<b>4.9</b>	<b>2.5</b>	<b>11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
Effect of exchange rate on cash					0.0					0.0					0.0					0.0	
<b>Net increase (decrease) in cash</b>	<b>3.1</b>	<b>(2.2)</b>	<b>(2.6)</b>	<b>(1.4)</b>	<b>(3.1)</b>	<b>4.4</b>	<b>0.9</b>	<b>(1.3)</b>	<b>(3.8)</b>	<b>0.2</b>	<b>3.2</b>	<b>(1.9)</b>	<b>0.8</b>	<b>0.7</b>	<b>2.8</b>	<b>(0.7)</b>	<b>(1.9)</b>	<b>(1.1)</b>	<b>0.4</b>	<b>(3.2)</b>	
<b>Beginning cash and equivalents</b>	<b>4.0</b>	<b>7.1</b>	<b>4.8</b>	<b>2.3</b>	<b>4.0</b>	<b>0.9</b>	<b>5.3</b>	<b>6.3</b>	<b>5.0</b>	<b>0.9</b>	<b>1.1</b>	<b>4.3</b>	<b>2.5</b>	<b>3.3</b>	<b>1.1</b>	<b>4.0</b>	<b>3.3</b>	<b>1.4</b>	<b>0.3</b>	<b>4.0</b>	
<b>Ending cash and equivalents</b>	<b>7.1</b>	<b>4.8</b>	<b>2.3</b>	<b>0.9</b>	<b>0.9</b>	<b>5.3</b>	<b>6.3</b>	<b>5.0</b>	<b>1.1</b>	<b>1.1</b>	<b>4.3</b>	<b>2.5</b>	<b>3.3</b>	<b>4.0</b>	<b>4.0</b>	<b>3.3</b>	<b>1.4</b>	<b>0.3</b>	<b>0.7</b>	<b>0.7</b>	

Source: Company reports and Ascendant Capital Markets estimates

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## **Duos Technologies Group, Inc.**

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.



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**SELL:** We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Sell	1	2%	0	0%
Total	52	100%	19	37%

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