



Duos Technologies Group, Inc.

Q2 about inline. Growth for its RIP, data center, and power businesses over the next year should drive stock higher. Raising P/T to \$6.00.

United States
Technology

September 10, 2024

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COMPANY UPDATE

Rating: BUY

Ticker: DUOT

Price: \$2.32

Target: \$6.00
(from \$5.75)

Q2 about inline: Duos recently (on August 13) reported its fiscal Q2 2024 (ending June) results. Revenue was \$1.5 million (-15% y-o-y), compared to our estimates of \$1.1 million and consensus of \$1.3 million. EPS was \$(0.43), compared to our estimate of \$(0.35) and consensus of \$(0.33). Q2 guidance was for revenue to be “in-line” to Q1’s \$1.1 million.

Q2 decline: Q2 (similar to the past year) was negatively affected again by delays in production of two high-speed RIP for a passenger transit client.

Increase in backlog: Backlog at Q2 was \$20 million, up from \$10 million at Q1. Duos recently won a contract for a RIP system in a new industrial application environment expanding its market opportunities.

No guidance: The company did not provide specific 2024 guidance.

Lowering estimates: We are lowering our 2024 estimates for revenue to \$12 million, from \$15 million, and for EPS to \$(1.21) from \$(0.90).

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.

8.5 million scans in 2023: Duos believes the market opportunity for its Rail Inspection Portal (RIP) business is substantial. In 2023, the company estimated that it performed over 8.5 million comprehensive railcar scans. Of this, it estimated that 665,000 were unique railcars, representing ~40% 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.

Major expansion to 2 new businesses: The company recently announced a major push into 2 new businesses, data centers and power. Duos Edge AI, Inc. is a provider of adaptive, versatile, and streamlined Edge Data Center (“EDC”) solutions tailored to meet evolving needs in any environment. The company also announced Duos Energy Corporation, aimed at additional market expansion into the increasing demand for power to support new data centers.

New capital: In the current Q3, the company raised \$2 million in debt. We believe the company has enough cash into 2025.

Positive risks versus rewards: Duo’s new 3 businesses have 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 \$6.00 from \$5.75 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:	1.94 – 5.74
Shares Outstanding (million):	8
Market cap (\$million):	\$19
EV (\$million):	\$19
Debt (\$million):	\$0
Cash (\$million):	\$0
Avg. Daily Trading Vol. (\$million):	\$0.2
Float (million shares):	4
Short Interest (million shares):	0.1
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	1.1A		3.5E	
Q2 Jun	1.5A	1.1E	4.5E	3.5E
Q3 Sep	2.4E	3.3E	4.8E	3.9E
Q4 Dec	<u>7.2E</u>	<u>9.1E</u>	<u>7.2E</u>	<u>9.1E</u>
Total	12.2E	14.5E	20.0E	
EV/Revs	1.6x		1.0x	

Earnings per Share (pro forma)

	<u>2024E</u> (Cur.)	<u>2024E</u> (Old)	<u>2025E</u> (Cur.)	<u>2025E</u> (Old)
Q1 Mar	(0.38)A		(0.19)E	(0.18)E
Q2 Jun	(0.43)A	(0.35)E	(0.18)E	(0.13)E
Q3 Sep	(0.30)E	(0.21)E	(0.09)E	(0.07)E
Q4 Dec	<u>(0.11)E</u>	<u>0.02E</u>	<u>0.03E</u>	<u>0.04E</u>
Total	(1.21)E	(0.90)E	(0.42)E	(0.33)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 13.

OVERVIEW

- Duos recently (on August 13) reported its fiscal Q2 2024 (ending June) results.
- Revenue was \$1.5 million (-15% y-o-y), compared to our estimates of \$1.1 million and consensus of \$1.3 million.
- EPS was \$(0.43), compared to our estimate of \$(0.35) and consensus of \$(0.33).
- Q2 guidance was for revenue to be “in-line” to Q1’s \$1.1 million.
- The company did not provide specific 2024 guidance.
- We are lowering our 2024 estimates for revenue to \$12 million, from \$15 million, and for EPS to \$(1.21) from \$(0.90).
- We are maintaining our 2025 revenue estimate of \$20 million, but lowering it for EPS to \$(0.42) from \$(0.33).

ADDITIONAL DETAILS

- Gross profit for the quarter was \$(0.2) million, compared with our estimate of \$0.1 million.
- Gross margin for the quarter was -14%, versus 14% last year and our expectation of 10%.
- Operating expenses were \$3.0 million, versus our expectation of \$2.7 million.
- Operating loss was \$3.2 million, versus our expectation of a loss of \$2.6 million.
- Net loss was \$3.2 million, versus our expectation of a loss of \$2.6 million.
- Backlog was \$20 million, up from \$10 million in Q1.

In November 2022, 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.

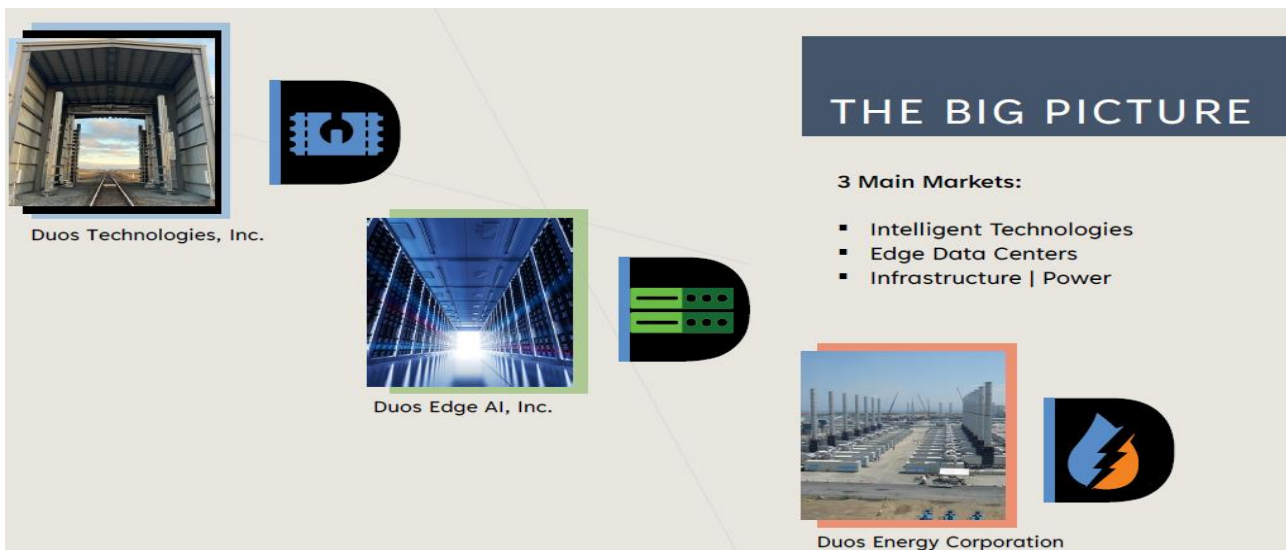
In April 2024, Adrian Goldfarb was reappointed as CFO to replace Mr. Murphy who left to pursue another opportunity.

The company’s balance sheet had \$~0 million in cash and no debt, compared with \$3 million in cash and no debt at the end of March. In March, the company raised \$2.5 million selling preferred stock. In July (current Q3), the company raised \$2 million in debt.

Exhibit 1: Duos Technologies Group Corporate Overview



THE STORY SO FAR



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



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



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



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

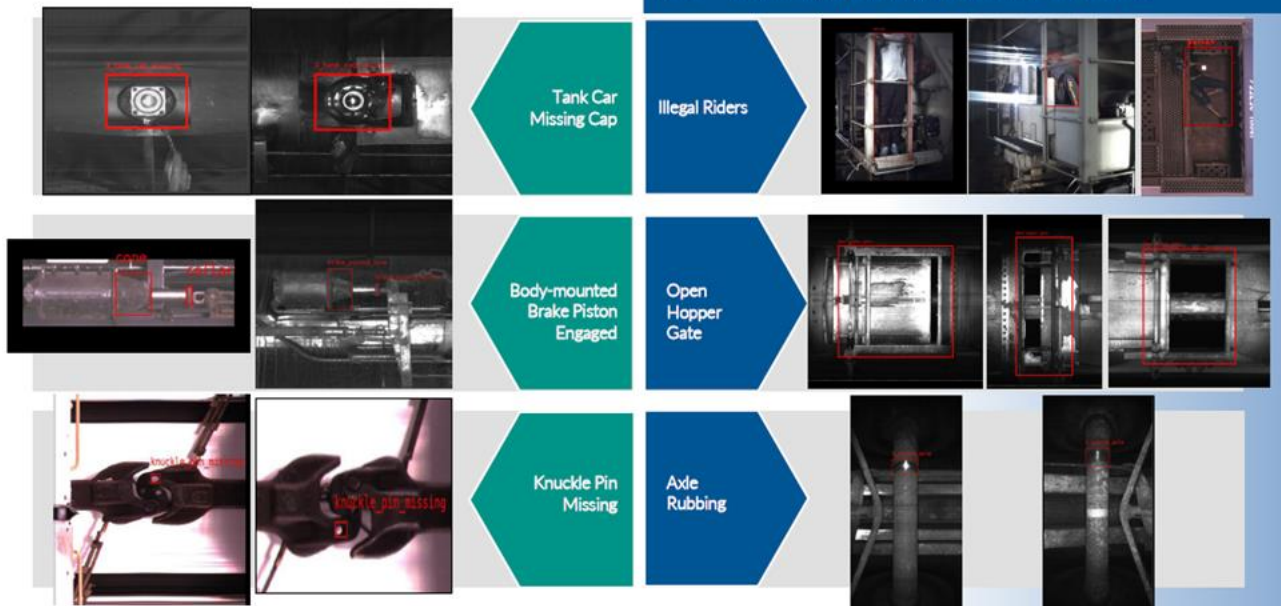
t-vue™ Thermal Vehicle Undercarriage Examiner

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)



2020-2021

BUSINESS TURNED AROUND
Phase 0

2022

INITIAL GROWTH
Phase 1

2023-24

GROWTH EXPANSION
Phase 2

IMPROVED CUSTOMER EXPERIENCE

- Technical Delivery / QA&QC
- Operational
- Expand customer base / completing initial R&D phase
- Recurring Revenue

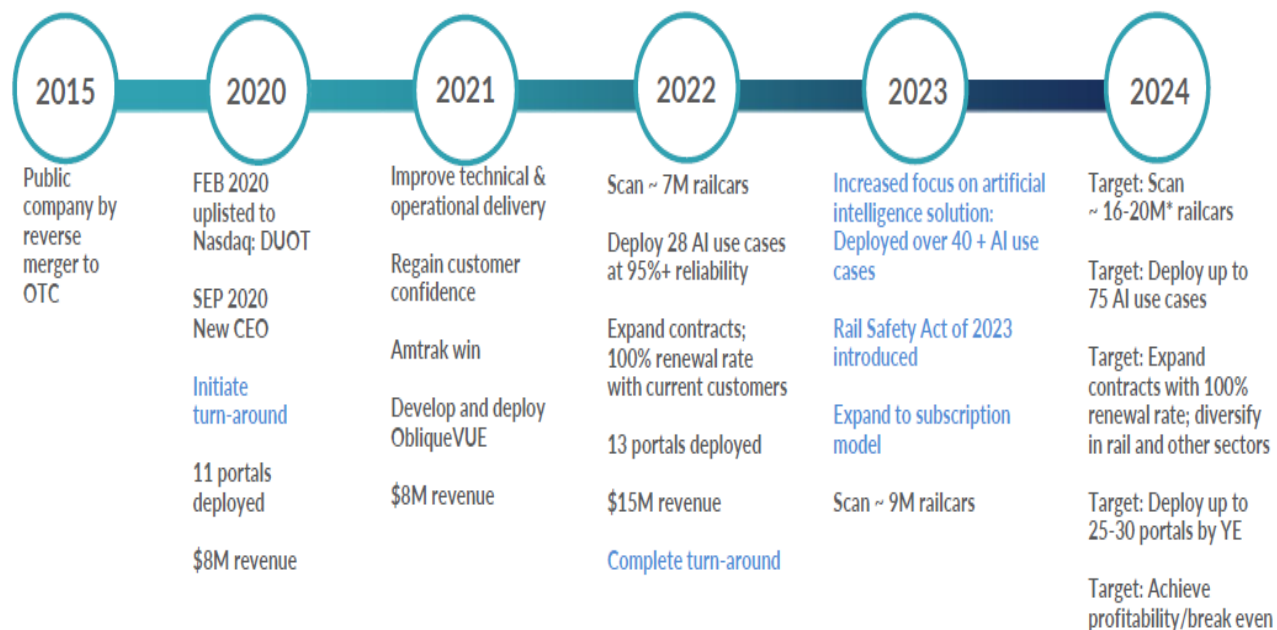
EXPAND RAIL CUSTOMER BASE

- Pivot into other sectors through Business Development & R&D Architecture
- M&A

EXPAND GLOBAL MARKET OPPORTUNITY

- International Transportation Markets

History and Future Pathway



Source: Company reports.

Exhibit 5: Q2 2024 Results and Recent Highlights (as of August 13, 2024)

Duos Technologies Group Reports Second Quarter 2024 Results

Continuing progress on Corporate initiatives in conjunction with improving sequential results establishing solid foundation for growth and profitability in 2025

JACKSONVILLE, Fla., Aug. 13, 2024 (GLOBE NEWSWIRE) -- [Duos Technologies Group, Inc.](#) ("Duos" or the "Company") (Nasdaq: DUOT), reported financial results for the second quarter ("Q2 2024") ended June 30, 2024.

Second Quarter 2024 and Recent Operational Highlights

Closed initial 5-Year support services and data sharing agreement with Class 1 railroad valued at \$10.9 million. The agreement provides full data availability for 7 existing client portals. Additionally, we now have data available from an eighth portal from a Mexican railroad, which we plan to leverage all 8 portals for subscription marketing starting in Q3.

Over 2.3 million comprehensive railcar scans were performed in the second quarter across 13 portals, with more than 383,000 unique railcars scanned. This metric encompasses all railcars scanned at locations across the U.S., Canada, and Mexico, representing approximately 24% of the total freight car population in North America.

Delivered and installed Edge Data Center for Amtrak at the Secaucus location. Initial construction work beginning at the site and negotiating contract modifications for additional products and services.

Received 10th Patent for "Device to Capture High Resolution images of a Train as it passes through an Inspection Portal", covering all aspects of the automated visual inspection of railcars. The Company has a further 6 patents pending for visualization of moving objects and expects to announce major product and feature enhancements over the next 6 - 9 months.

Announced formation of new subsidiary, "Duos Edge AI" aimed at expanding Duos business into the Edge Data Center ("EDC") market. First three EDCs now in production with expected delivery to field in Q3 and with initial customer indications of approximately \$1 million in annual recurring revenue starting in Q4. Initial debt funding secured for EDC production.

Formed new subsidiary, Duos Energy Corporation, aimed at additional market expansion into the increasing demand for power to support new data centers. Using our existing in-house expertise to support the massive demand for AI, Edge computing, and 5G rollout this new subsidiary is aligned with our strategy to be an important part of the overall AI value chain.

As of the end of the second quarter, the Company now has \$19.6 million of revenue in backlog including near-term extensions and renewals and expects \$6.9 million to be recognized during the remainder of 2024.

Source: Company reports.

Exhibit 6: Q3 and 2024 Outlook (as of August 13, 2024)

Financial Outlook

At the end of the second quarter, the Company's contracts in backlog and near-term renewals and extensions is now more than \$19.6 million in revenue, of which approximately \$6.9 million is expected to be recognized during the remainder of 2024. The balance of contract backlog is comprised of multi-year service and software agreements as well as project revenues. It should be noted that \$10.7 million of the revenue in backlog is for data access to support the new subscription business and is accounted for as a "non-monetary exchange" that resulted from an amendment to a Master Material and Service Purchase Agreement with a Class 1 railroad. Any new subscription business going forward will be offset by royalty payments by Duos.

The agreement gives Duos the rights to use and resell all data acquired by seven portals owned by the Class I railroad. The initial decrease in cash receivables is expected to be offset from revenues for data subscriptions to owners and lessors of railcar assets for the provision of mechanical and safety data and longer-term provide an expected growing, high-margin, revenue stream from subscribers.

Duos anticipates an improvement in operating results to be reflected over the next 12 months as a result of the new initiatives described in this release. Results are expected to improve in Q3 and the Company will provide further updates as they become available.

Management Commentary

"The Company continues to focus on establishing the foundation for long-term, sustainable growth particularly in the area of new business development and market expansion, patent awards and building our subscription data offering," said Chuck Ferry, Duos CEO. "The agreement executed with one of our major Class 1 customers represented the culmination of almost 12 months of negotiation and gives us a platform to supply safety data to all North American rail customers for both freight and transit. While I continue to be dissatisfied with our short-term financial performance, I am encouraged by the growth in our recurring revenues and the fast start of our EDC business."

Source: Company reports.

Exhibit 7: Duos Technologies Group, Inc. Stock Price (5-Years)



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

Exhibit 8: Consensus Expectations (as of August 13, 2024)

	Revenue (mil)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$1.1A		Q1 Mar	\$(0.38)A	
Q2 Jun	\$1.3E		Q2 Jun	\$(0.33)E	
Q3 Sep	\$3.7E		Q3 Sep	\$(0.19)E	
Q4 Dec			Q4 Dec		
Total	\$14.6E	\$20.3E	Total	\$(0.89)E	\$(0.32)E

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

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

FINANCIAL MODEL

Duos Technologies Group, Inc.

Income Statement (\$ mils)	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	Mar-25	Jun-25	Sep-25	Dec-25	2025
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	1.4	3.6	4.0	5.9	15.0	2.6	1.8	1.5	1.5	7.5	1.1	1.5	2.4	7.2	12.2	3.5	4.5	4.8	7.2	20.0
Cost of Revenues	1.2	2.3	2.9	3.8	10.3	2.1	1.5	1.3	1.2	6.2	1.0	1.7	2.1	5.4	10.2	2.1	2.7	2.8	3.9	11.5
Gross Profit	0.2	1.3	1.1	2.1	4.7	0.5	0.2	0.2	0.3	1.3	0.1	(0.2)	0.4	1.8	2.0	1.4	1.8	2.1	3.2	8.5
Sales & marketing	0.3	0.4	0.3	0.4	1.3	0.3	0.3	0.4	0.5	1.5	0.6	0.7	0.3	0.4	2.0	0.5	0.7	0.4	0.4	1.9
Research & development	0.4	0.5	0.3	0.4	1.7	0.4	0.5	0.5	0.4	1.8	0.4	0.4	0.6	0.7	2.1	0.5	0.7	0.4	0.4	2.1
General and administration	2.1	1.8	2.3	2.4	8.6	2.0	2.6	2.4	2.5	9.4	1.9	1.9	1.7	1.4	7.0	1.7	1.8	1.9	2.2	7.6
Restructuring and other					0.0					0.0					0.0					0.0
Total operating expenses	2.9	2.7	3.0	3.1	11.6	2.7	3.4	3.2	3.5	12.8	2.9	3.0	2.6	2.6	11.1	2.8	3.2	2.8	2.9	11.7
Operating income (loss)	(2.6)	(1.4)	(1.9)	(1.0)	(6.9)	(2.1)	(3.1)	(3.0)	(3.2)	(11.4)	(2.8)	(3.2)	(2.3)	(0.8)	(9.0)	(1.4)	(1.4)	(0.7)	0.3	(3.1)
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)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)
Other income (expense)	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	0.0	0.0	0.0	0.0	0.0
Income before income taxes	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(3.0)	(2.9)	(3.2)	(11.2)	(2.8)	(3.2)	(2.3)	(0.8)	(9.1)	(1.4)	(1.4)	(0.7)	0.2	(3.3)
Income taxes					0.0					0.0					0.0					0.0
Net income (loss)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(3.0)	(2.9)	(3.2)	(11.2)	(2.8)	(3.2)	(2.3)	(0.8)	(9.1)	(1.4)	(1.4)	(0.7)	0.2	(3.3)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
Net income (pro forma)	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(3.0)	(2.9)	(3.2)	(11.2)	(2.8)	(3.2)	(2.3)	(0.8)	(9.1)	(1.4)	(1.4)	(0.7)	0.2	(3.3)
EBITDA	(2.2)	(1.0)	(1.8)	(0.6)	(5.5)	(1.9)	(2.6)	(2.5)	(2.7)	(9.7)	(2.3)	(2.4)	(2.0)	(0.6)	(7.3)	(1.2)	(1.1)	(0.5)	0.5	(2.2)
Shares, Basic	5.4	6.1	6.5	6.9	6.2	7.2	7.2	7.2	7.2	7.2	7.3	7.5	7.6	7.7	7.5	7.8	7.9	8.0	8.1	7.9
Shares, Diluted	5.4	6.1	6.5	6.9	6.2	7.2	7.2	7.2	7.2	7.2	7.3	7.5	7.6	7.7	7.5	7.8	7.9	8.0	8.1	7.9
EPS Basic (pro forma)	(\$0.49)	(\$0.22)	(\$0.30)	(\$0.14)	(\$1.11)	(\$0.30)	(\$0.42)	(\$0.41)	(\$0.44)	(\$1.56)	(\$0.38)	(\$0.43)	(\$0.30)	(\$0.11)	(\$1.21)	(\$0.19)	(\$0.18)	(\$0.09)	\$0.03	(\$0.42)
EPS Diluted (pro forma)	(\$0.49)	(\$0.22)	(\$0.30)	(\$0.14)	(\$1.11)	(\$0.30)	(\$0.42)	(\$0.41)	(\$0.44)	(\$1.56)	(\$0.38)	(\$0.43)	(\$0.30)	(\$0.11)	(\$1.21)	(\$0.19)	(\$0.18)	(\$0.09)	\$0.03	(\$0.42)
Margins																				
Gross margin	15%	35%	27%	36%	32%	20%	14%	15%	20%	18%	9%	-14%	15%	25%	17%	40%	40%	43%	45%	43%
Sales & marketing	20%	10%	7%	6%	9%	12%	17%	23%	35%	20%	52%	47%	12%	6%	16%	15%	15%	8%	5%	10%
Research & development	30%	15%	8%	6%	11%	15%	30%	29%	28%	24%	36%	26%	25%	10%	17%	15%	15%	9%	6%	10%
General and administration	149%	49%	58%	40%	57%	75%	144%	156%	166%	126%	179%	126%	70%	20%	57%	50%	40%	40%	30%	38%
Operating margin	-184%	-39%	-46%	-16%	-46%	-81%	-178%	-194%	-208%	-153%	-258%	-213%	-92%	-11%	-74%	-40%	-30%	-14%	4%	-16%
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	-184%	-37%	-48%	-16%	-46%	-81%	-169%	-193%	-207%	-150%	-257%	-212%	-92%	-12%	-74%	-41%	-31%	-15%	3%	-17%
Y/Y % change																				
Total Revenue	-33%	458%	131%	60%	82%	84%	-51%	-62%	-74%	-50%	-60%	-15%	60%	370%	63%	225%	200%	98%	0%	64%
Gross margin	-139%	-183%	-203%	247%	-286%	142%	-81%	-79%	-86%	-72%	-82%	-189%	62%	490%	56%	1371%	-945%	467%	80%	317%
Sales & marketing	-77%	32%	-21%	28%	8%	-77%	-2%	17%	50%	12%	-63%	29%	-59%	46%	33%	-74%	30%	-43%	-7%	-2%
Research & development	74%	21%	-38%	8%	556%	-75%	33%	-16%	-7%	10%	-79%	2%	57%	17%	16%	-75%	30%	-36%	-1%	-2%
General and administration	-37%	-17%	32%	1%	153%	-77%	29%	-6%	6%	10%	-80%	-1%	-10%	-16%	-26%	-75%	4%	7%	11%	10%
Operating income (loss)	45%	-53%	-24%	301%	-8%	-19%	126%	59%	231%	67%	29%	2%	-24%	-75%	-21%	-50%	-58%	-70%	-136%	-65%
Net income (loss)	551%	-55%	-21%	377%	14%	-19%	123%	53%	232%	64%	28%	7%	-23%	-73%	-19%	-48%	-56%	-68%	-128%	-63%
EPS Diluted (pro forma)	330%	-73%	-56%	191%	-32%	-39%	89%	36%	216%	40%	26%	3%	-27%	-75%	-23%	-51%	-58%	-69%	-127%	-65%

Source: Company reports and Ascendant Capital Markets estimates.

Duos Technologies Group, Inc.

Balance Sheet (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	
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	5.3	6.3	5.0	1.1	4.3	2.5	3.3	2.4	3.0	0.5	(0.4)	(1.4)	(2.0)	(4.0)	(5.9)	(6.0)	
Short term investments											0.0	0.0	0.0	0.0	0.0	0.0	
Accounts receivable, net	0.3	0.3	2.2	3.4	0.7	0.3	0.3	1.5	0.6	0.1	1.1	3.2	1.5	2.0	2.2	3.2	
Contract assets	0.3	0.7	0.8	0.4	1.4	1.0	1.3	0.6	0.9	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Inventory	0.3	0.8	0.7	1.4	1.5	1.5	1.5	1.5	1.5	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Deferred income taxes											0.0	0.0	0.0	0.0	0.0	0.0	
Prepaid expenses and other	0.8	0.7	0.7	0.4	0.5	0.5	0.4	0.2	0.4	0.6	1.0	2.8	1.3	1.7	1.8	2.7	
Total current assets	7.1	8.8	9.4	6.8	8.5	5.8	6.8	6.3	6.4	3.4	3.9	6.8	3.0	1.9	0.3	2.0	
Property and equipment, net	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6	1.7	2.1	2.0	2.4	2.3	3.6	4.0	
Operating lease	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	
Intangibles, net	0.1	0.1	0.2	0.3	0.5	0.7	0.9	0.8	0.7	11.3	11.3	11.3	11.3	11.3	11.3	11.3	
Deferred income tax											0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.6	0.7	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Total assets	13.2	15.0	15.6	13.1	14.9	12.3	13.4	12.8	12.7	21.2	22.0	24.9	21.5	20.3	19.9	22.1	
Liabilities and stockholders' equity																	
Accounts payable	1.0	1.3	1.6	2.3	1.3	0.8	0.6	0.6	0.2	0.8	1.4	4.0	1.9	2.5	2.7	4.0	
Accounts payable - related party											0.0	0.0	0.0	0.0	0.0	0.0	
Accrued expenses	0.6	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.2	0.3	0.5	1.4	1.4	0.9	1.0	1.4	
Deferred revenue											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	2.4	5.0	3.9	1.0	2.1	2.4	1.6	1.7	1.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	
Warrant liabilities											0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.5	0.6	0.5	0.8	0.8	0.8	0.8	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	0.0	0.2	0.3	0.1	0.0	0.2	0.2	2.4	2.4	2.4	2.4	2.4	2.4	
Total current liabilities	4.5	7.6	6.6	4.5	4.7	4.5	3.4	3.2	3.1	5.8	8.8	12.4	10.2	10.4	10.6	12.4	
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	0.0										0.0	0.0	0.0	0.0	0.0	0.0	
Contract liabilities										8.5	8.5	8.5	8.5	8.5	8.5	8.5	
Leases	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	
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	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.2	4.1	12.5	12.5	12.5	12.5	12.5	12.5	12.5	
Preferred stock	0.9	0.9	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	
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.4	0.5	0.6	0.8	
Additional paid-in capital	51.4	51.6	55.9	56.6	60.4	61.0	66.3	69.1	72.0	72.6	72.6	72.6	72.6	72.6	72.6	72.6	
Retained earnings	(48.1)	(49.5)	(51.4)	(52.4)	(54.5)	(57.5)	(60.4)	(63.6)	(66.4)	(69.6)	(71.8)	(72.7)	(74.1)	(75.5)	(76.2)	(76.0)	
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											0.0	0.0	0.0	0.0	0.0	0.0	
Total stockholders' equity	3.9	2.8	4.3	4.1	5.7	3.4	5.7	5.4	5.5	2.9	0.7	0.0	(1.3)	(2.6)	(3.2)	(2.8)	
Total stockholders' equity and liabil	13.2	15.0	15.6	13.1	14.9	12.3	13.4	12.8	12.7	21.2	22.0	24.9	21.5	20.3	19.9	22.1	

Balance Sheet Drivers

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E	
Prepaid as % of total rev	58%	20%	16%	7%	20%	28%	23%	12%	37%	39%	39%	39%	37%	37%	37%	37%	
A/P as % of total rev	67%	36%	41%	39%	48%	43%	40%	39%	17%	56%	56%	56%	56%	56%	56%	56%	
Accrued exp related as % of total rev	41%	14%	12%	8%	14%	17%	18%	11%	22%	17%	20%	20%	40%	20%	20%	20%	
Activity Ratios																	
A/R Days Sales Outstanding	21	8	50	52	24	15	15	86	50	8	40	40	40	40	40	40	
Book & Cash Value (per share)																	
Book Value per Share (diluted)	\$0.74	\$0.46	\$0.67	\$0.59	\$0.80	\$0.47	\$0.78	\$0.74	\$0.76	\$0.38	\$0.10	\$0.00	-\$0.17	-\$0.33	-\$0.40	-\$0.35	
Cash per Share (diluted)	\$1.00	\$1.03	\$0.77	\$0.16	\$0.61	\$0.34	\$0.45	\$0.34	\$0.41	\$0.07	-\$0.05	-\$0.18	-\$0.26	-\$0.51	-\$0.74	-\$0.75	
Net cash per Share (diluted)	\$0.96	\$1.00	\$0.75	\$0.16	\$0.58	\$0.31	\$0.43	\$0.33	\$0.38	\$0.04	-\$0.37	-\$0.50	-\$0.58	-\$0.82	-\$1.05	-\$1.05	

Source: Company reports and Ascendant Capital Markets estimates

Duos Technologies Group, Inc.

Cash Flow Statement (\$ mils)	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	Mar-25	Jun-25	Sep-25	Dec-25	2025	
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	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(3.0)	(2.9)	(3.2)	(11.2)	(2.8)	(3.2)	(2.3)	(0.8)	(9.1)	(1.4)	(1.4)	(0.7)	0.2	(3.3)	
Depreciation	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.2	0.2	0.6	0.2	0.6	0.1	0.1	1.0	0.1	0.1	0.1	0.1	0.4	
Amortization	0.1	0.1	(0.2)	0.0	0.0		0.2	0.1	0.1	0.3	0.1	0.1			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	0.3	0.2	0.2	0.3	1.0	0.1	0.3	0.2	0.2	0.9	0.2	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.5	
Deferred rent					0.0					0.0					0.0					0.0	
A/R reserves					0.0					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	
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					0.0					0.0					0.0					0.0	
Other				0.2	0.2	0.1	(0.1)	0.0	0.0	0.0					0.0					0.0	
Changes in operating assets and liabilities:																					
Accounts receivable	1.4	0.0	(1.9)	(1.2)	(1.7)	2.7	0.4	0.0	(1.2)	2.0	0.9	0.5	(1.0)	(2.1)	(1.7)	1.6	(0.5)	(0.1)	(1.0)	0.0	
Contract assets	(0.3)	(0.4)	(0.1)	0.4	(0.4)	(1.0)	0.3	(0.2)	0.7	(0.2)	(0.3)	(0.2)			(0.5)					0.0	
Inventory	(0.0)	(0.5)	0.1	(0.7)	(1.1)	(0.1)	(0.0)	0.0	(0.0)	(0.1)	0.0	0.1			0.2					0.0	
Prepaid expenses & other curre	(0.3)	0.0	0.2	0.3	0.3	0.2	0.2	0.1	(0.0)	0.6	0.1	(0.1)	(0.4)	(1.9)	(2.2)	1.5	(0.4)	(0.1)	(0.9)	0.2	
Income tax					0.0					0.0					0.0					0.0	
Other assets			0.2	(0.2)	0.0			(0.2)	0.2	0.1	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(0.1)	0.4	0.3	0.6	1.2	(1.0)	(0.5)	(0.1)	(0.0)	(1.7)	(0.4)	0.6	0.5	2.7	3.4	(2.1)	0.6	0.2	1.3	(0.0)	
Accrued expenses	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)	(0.0)	(0.1)	(0.3)	0.1	0.3	0.2	0.9	1.5	(0.0)	(0.5)	0.1	0.5	0.0	
Contract liabilities	0.5	2.7	(1.1)	(2.9)	(0.9)	1.1	0.4	(0.9)	0.1	0.7	0.0	(0.7)			(0.7)					0.0	
Deferred revenue					0.0					0.0					0.0					0.0	
Other liabilities	0.1	(0.0)	0.0	0.1	0.2	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(0.8)	1.1	(4.1)	(4.0)	(7.9)	(0.0)	(1.9)	(3.7)	(3.1)	(8.7)	(2.0)	(1.9)	(2.6)	(1.0)	(7.5)	(0.2)	(1.9)	(0.5)	0.3	(2.3)	
Cash flow from investing activities																					
Purchases of property and equij	(0.1)	(0.0)	(0.3)	0.1	(0.3)	(0.0)	(0.1)	(0.0)	(0.3)	(0.5)	(0.0)	(0.9)	(0.5)	(0.0)	(1.4)	(0.5)	(0.0)	(1.4)	(0.5)	(2.4)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions		(0.0)	0.0	(0.3)	(0.3)	(0.2)	(0.2)	(0.3)	0.1	(0.6)	(0.0)	(0.0)			(0.0)					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing acth	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)	(0.3)	(0.3)	(0.4)	(0.2)	(1.1)	(0.0)	(0.9)	(0.5)	(0.0)	(1.4)	(0.5)	(0.0)	(1.4)	(0.5)	(2.4)	
Cash flow from financing activities																					
Issuance of debt					0.0					0.0					2.2	0.0	0.0	0.0	0.0	0.0	
Repayment of debt	(0.2)	(0.1)	(0.1)	(0.0)	(0.4)	(0.2)	(0.1)	(0.1)	(0.2)	(0.6)	(0.1)	(0.1)			(0.2)					0.0	
Issuance of stock	5.5	0.0	3.2	0.4	9.2	3.7	0.3	5.0	2.5	11.5	2.7	0.3	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exercises					0.0		0.1	(0.0)	0.1	0.2		0.1			0.1					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	5.4	(0.1)	3.1	0.4	8.7	3.5	0.3	4.9	2.5	11.2	2.6	0.3	2.2	0.0	5.1	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	4.4	0.9	(1.3)	(3.8)	0.2	3.2	(1.9)	0.8	(0.8)	1.3	0.5	(2.5)	(0.9)	(1.0)	(3.8)	(0.7)	(1.9)	(1.9)	(0.2)	(4.7)	
Beginning cash and equivalent:	0.9	5.3	6.3	5.0	0.9	1.1	4.3	2.5	3.3	1.1	2.4	3.0	0.5	(0.4)	2.4	(1.4)	(2.0)	(4.0)	(5.9)	(1.4)	
Ending cash and equivalents	5.3	6.3	5.0	1.1	1.1	4.3	2.5	3.3	2.4	2.4	3.0	0.5	(0.4)	(1.4)	(1.4)	(2.0)	(4.0)	(5.9)	(6.0)	(6.0)	

Source: Company reports and Ascendant Capital Markets estimates

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Duos Technologies Group, Inc.



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

	Report Date		Price
Report	Date	Rating	Target
1	1/18/2023	Buy	5.00
2	4/2/2023	Buy	5.25
3	6/1/2023	Buy	8.50
4	10/5/2023	Buy	8.25
5	12/17/2023	Buy	6.50
6	4/30/2024	Buy	6.00
7	6/6/2024	Buy	5.75

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Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
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Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	21	36%

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