



# Duos Technologies Group, Inc.

Q3 about inline. Growth for its RIP, data center, and power businesses over the next year should drive stock higher. Raising P/T to \$7.50.

United States  
Technology

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## COMPANY UPDATE

Rating: **BUY**

Ticker: DUOT

Price: \$4.10

Target: \$7.50  
(from \$6.00)

**Q3 about inline:** Duos recently (on November 19) reported its fiscal Q3 2024 (ending September) results. Revenue was \$3.2 million (+112% y-o-y), compared to our estimates of \$2.4 million and consensus of \$2.8 million. EPS was \$(0.18), compared to our estimate of \$(0.30) and consensus of \$(0.25). There was no Q3 guidance.

**Q3 growth:** Q3 revenue grew +112% (y-o-y) from improved contracts revenue.

**Change in backlog:** Backlog at Q2 was \$19 million, down from \$20 million at Q2.

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

**Adjusting estimates:** We are adjusting our 2024 estimates for revenue to \$10 million, from \$12 million, and for EPS to \$(1.22) from \$(1.21). We note our estimates do not have material contribution from Duos 2 new businesses (Duos Edge AI and Duos Energy), so our estimates are conservative with significant upside potential.

**RIP (Railcar Inspection Portal) system and benefits:** 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. 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.

**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 major energy contract:** In November, the company just announced a major new contract for \$42 million to deploy and operate a fleet of mobile gas turbine affiliates with Fortress Investment Group.

**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 \$7.50 from \$6.00 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 – 6.44
Shares Outstanding (million):	8
Market cap (\$million):	\$33
EV (\$million):	\$34
Debt (\$million):	\$2
Cash (\$million):	\$1
Avg. Daily Trading Vol. (\$million):	\$0.5
Float (million shares):	6
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		3.7E	3.5E
Q2 Jun	1.5A		4.0E	4.5E
Q3 Sep	3.2A	2.4E	5.7E	4.8E
Q4 Dec	<u>3.9E</u>	<u>7.2E</u>	<u>6.6E</u>	<u>7.2E</u>
Total	9.7E	12.2E	20.0E	
EV/Revs	3.5x		1.7x	

### 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		(0.18)E	(0.19)E
Q2 Jun	(0.43)A		(0.14)E	(0.18)E
Q3 Sep	(0.18)A	(0.30)E	(0.10)E	(0.09)E
Q4 Dec	<u>(0.25)E</u>	<u>(0.11)E</u>	<u>0.03E</u>	
Total	<u>(1.22)E</u>	<u>(1.21)E</u>	<u>(0.39)E</u>	<u>(0.42)E</u>
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 15.

**OVERVIEW**

- Duos recently (on November 19) reported its fiscal Q3 2024 (ending September) results.
- Revenue was \$3.2 million (+112% y-o-y), compared to our estimates of \$2.4 million and consensus of \$2.8 million.
- EPS was \$(0.18), compared to our estimate of \$(0.30) and consensus of \$(0.25).
- There was no Q3 guidance.
- The company did not provide specific 2024 guidance.
- We are adjusting our 2024 estimates for revenue to \$10 million, from \$12 million, and for EPS to \$(1.22) from \$(1.21).
- We are maintaining our 2025 revenue estimates of \$20 million, but raising it for EPS to \$(0.39) from \$(0.42).

**ADDITIONAL DETAILS**

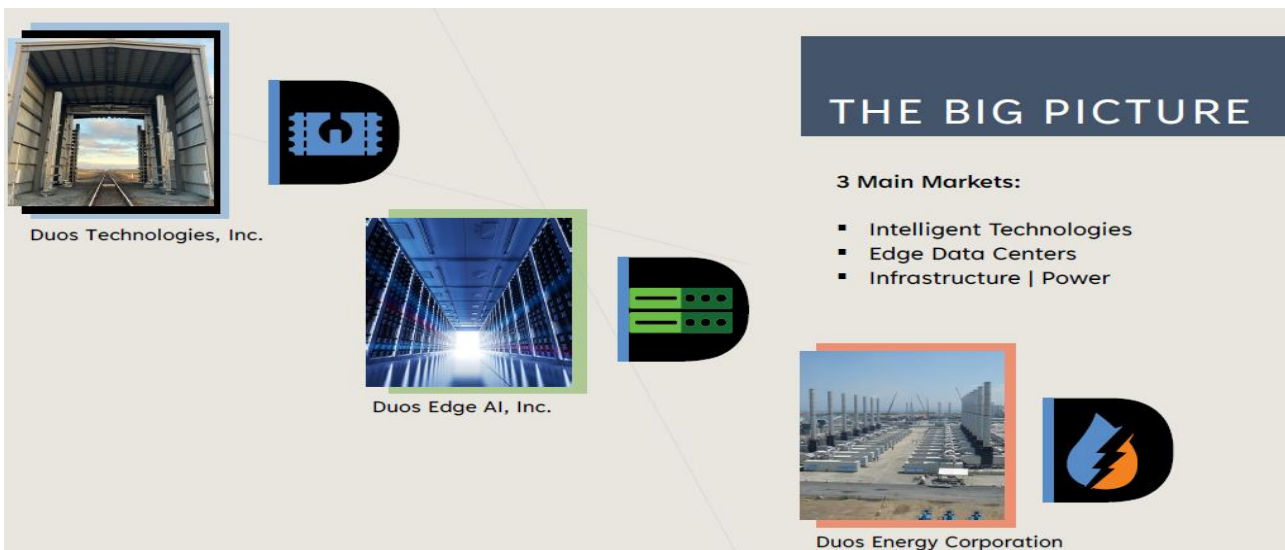
- Gross profit for the quarter was \$0.9 million, compared with our estimate of \$0.4 million.
- Gross margin for the quarter was 28%, versus 15% last year and our expectation of 15%.
- Operating expenses were \$2.8 million, versus our expectation of \$2.6 million.
- Operating loss was \$1.9 million, versus our expectation of a loss of \$2.3 million.
- Net loss was \$1.4 million, versus our expectation of a loss of \$2.3 million.
- Backlog was \$19 million, down from \$20 million in Q2.

The company's balance sheet had \$1 million in cash and \$2 million in debt, compared with ~\$0 million in cash and no debt at the end of June. In July (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



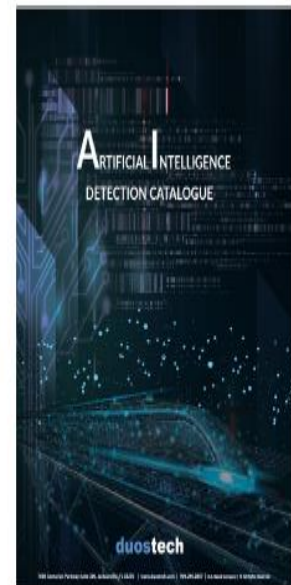
## Expanded Potential Customer Base

- 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

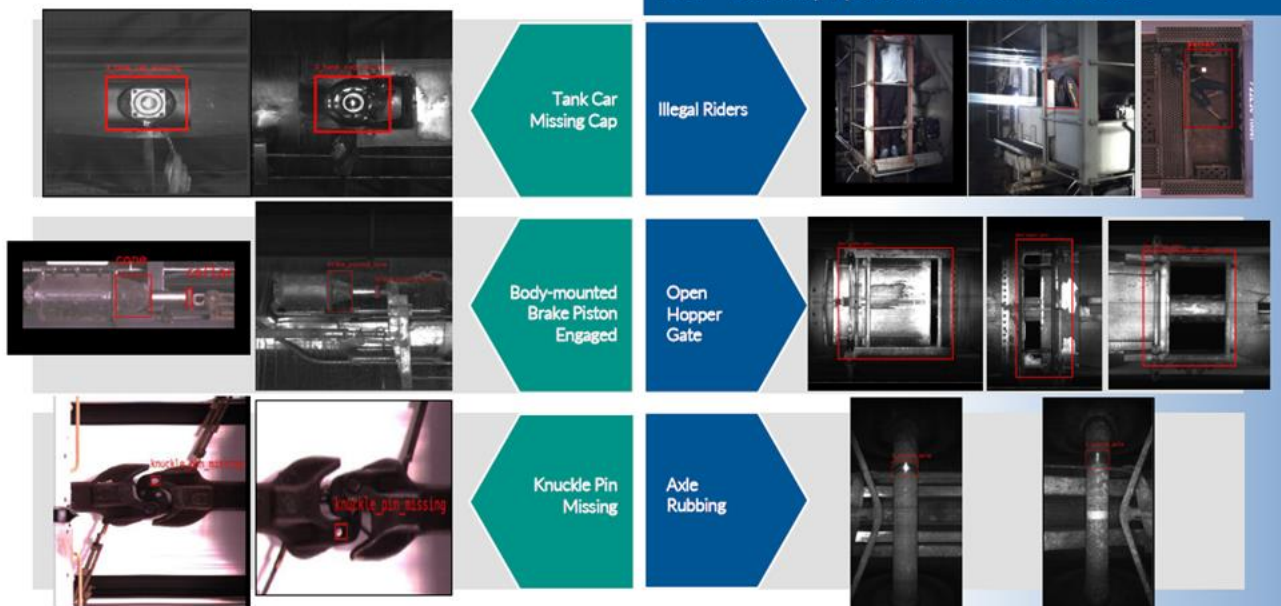
**t-vue**™ Thermal Vehicle Undercarriage Examiner

**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

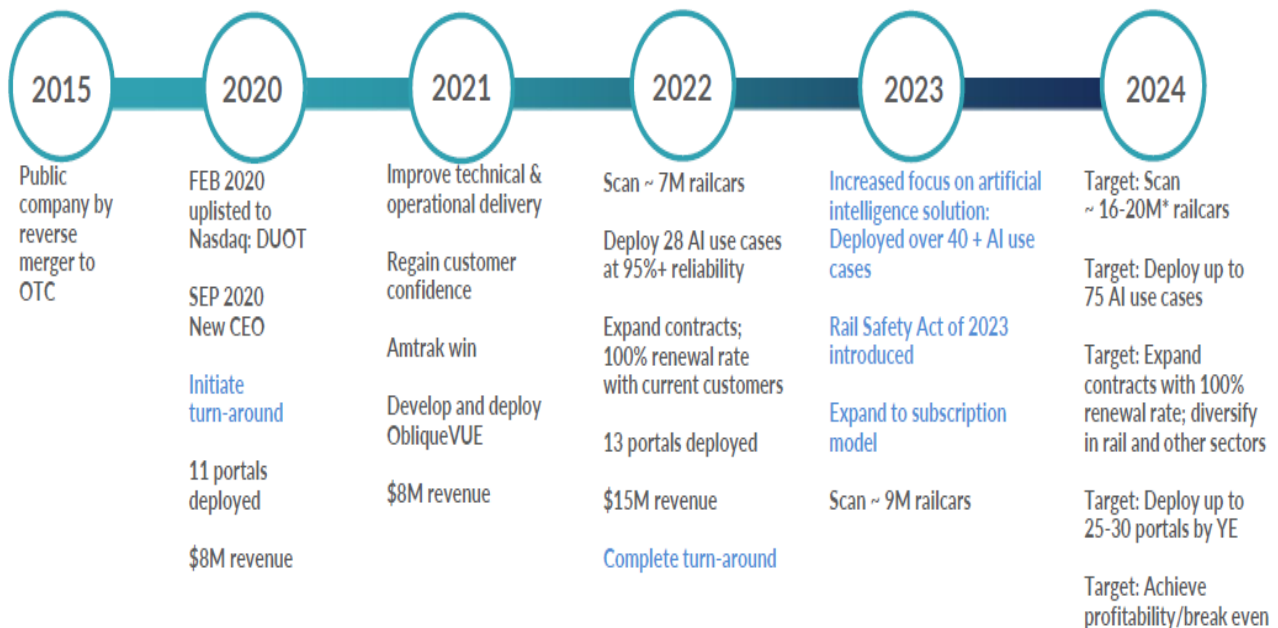
**EXPAND RAIL CUSTOMER BASE**

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

**EXPAND GLOBAL MARKET OPPORTUNITY**

- International Transportation Markets

## History and Future Pathway



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: Deployed over 40+ AI use cases  Rail Safety Act of 2023 introduced  Expand to subscription model  Scan ~ 9M railcars	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

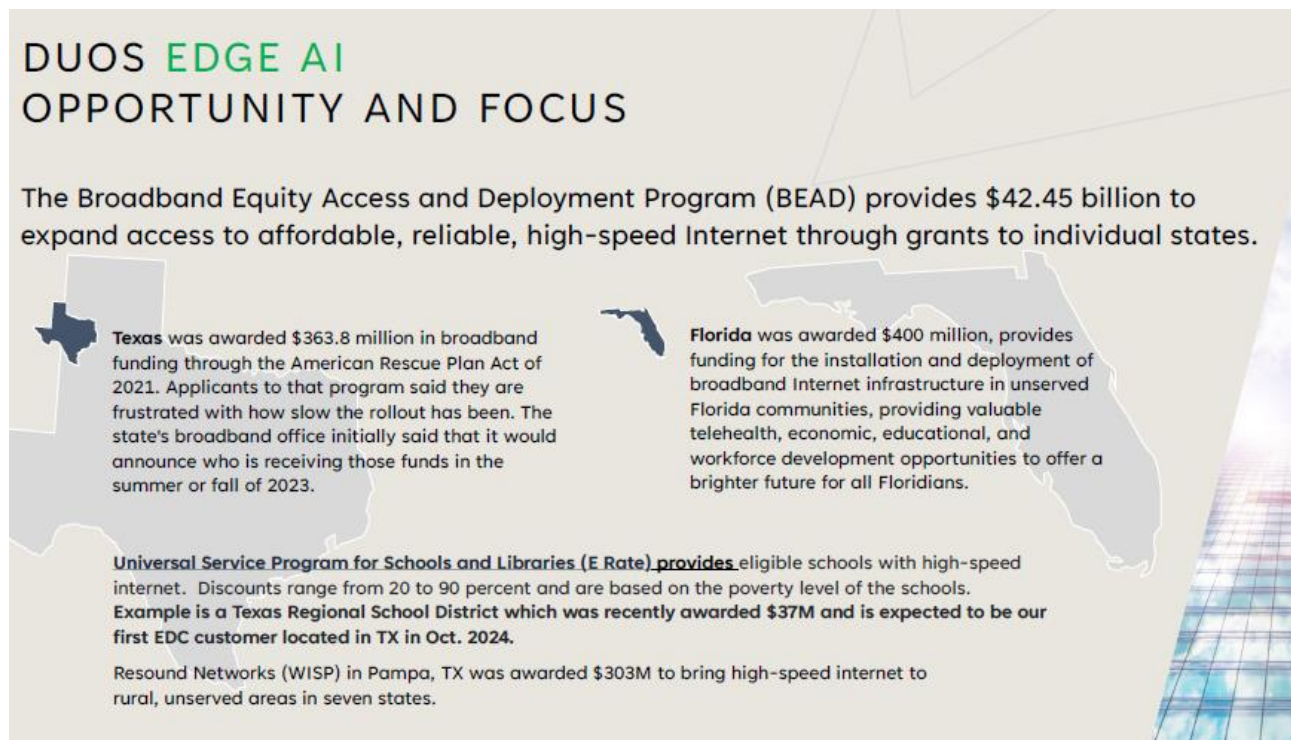
Source: Company reports.

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Exhibit 5: Duos Edge AI

## DUOS EDGE AI

- **Duos Edge AI, Inc.** (a subsidiary of Duos Technologies Group, Inc.) plans to build, own, and operate multiple Edge Data Center (EDC)s that provide edge co-locations services
- Installation of the first three EDCs will be completed in FY2024; installation frequency will accelerate in FY2025 with multiple EDCs installed by 2027
- Doug Recker, Duos Edge AI President and Founder, has previously built and sold two similar businesses and has already generated a diverse pipeline of 200+ EDC locations and customers
- This line of business expected to generate \$65M annual recurring revenue producing 70% gross margins and \$41M EBITDA by 2027
- Expected enterprise value of \$800M or more based on current market conditions



### DUOS EDGE AI OPPORTUNITY AND FOCUS

The Broadband Equity Access and Deployment Program (BEAD) provides \$42.45 billion to expand access to affordable, reliable, high-speed Internet through grants to individual states.

**Texas** was awarded \$363.8 million in broadband funding through the American Rescue Plan Act of 2021. Applicants to that program said they are frustrated with how slow the rollout has been. The state's broadband office initially said that it would announce who is receiving those funds in the summer or fall of 2023.

**Florida** was awarded \$400 million, provides funding for the installation and deployment of broadband Internet infrastructure in unserved Florida communities, providing valuable telehealth, economic, educational, and workforce development opportunities to offer a brighter future for all Floridians.

**Universal Service Program for Schools and Libraries (E Rate)** provides eligible schools with high-speed internet. Discounts range from 20 to 90 percent and are based on the poverty level of the schools. **Example is a Texas Regional School District which was recently awarded \$37M and is expected to be our first EDC customer located in TX in Oct. 2024.**

Resound Networks (WISP) in Pampa, TX was awarded \$303M to bring high-speed internet to rural, unserved areas in seven states.

Source: Company reports.

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**Exhibit 6: Duos Energy**

## DUOS ENERGY

- **Duos Energy Corporation** (a subsidiary of Duos Technologies Group, Inc.) will primarily build, own, and operate environmentally-friendly energy projects to support small, medium and large Edge Data Centers in the US, where utility-level electric capacity is struggling to keep up with demand
- Our offerings include clean-burning natural gas generation assets and other complementary green solutions, including PV solar and battery energy storage
- We enable fast-track data center project commissioning by locating our dedicated power plants directly next to the fuel source, bypassing the requirement, cost and wait for utility power
- Bolstering our primary off-grid data center power solution, Duos Energy will also engage in offering similar hybrid dedicated power plants to other industrial customers (e.g. manufacturing, chemicals, oil & gas, mining, microgrids) and fast-track power plants to address near-term demands due to emergencies
- Duos is prepared to execute multiple power projects in the United States to support the demand of Data Center expansion

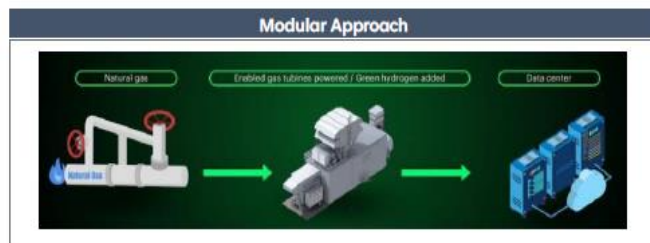
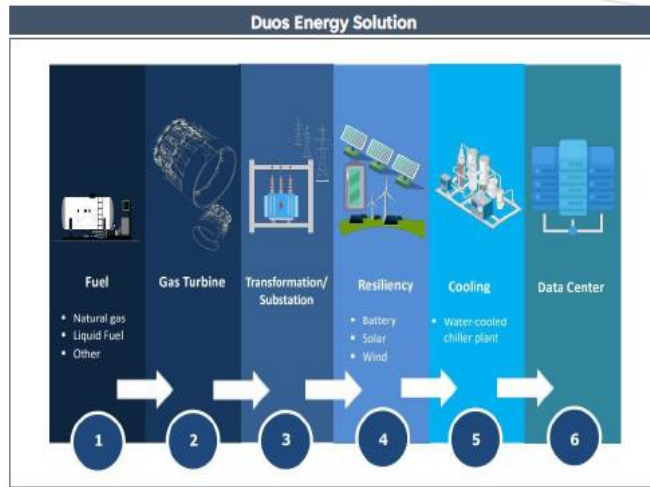
## DUOS ENERGY DATA CENTER USE CASE

### Data Center Demand and Utility Issues

- Upward pressure on industrial utility prices from surging data center power demands
- Competition between data centers and commercial & residential customers for utility power

### Duos Solution

- Dedicated off-grid power plant adjacent to gas supply eliminates utility reliance
- Improves data center construction speed and adds reliability from colocation enabling efficient management of both power plant and data center assets
- Off-grid power plants can be constructed in < 12 months as opposed to several years for traditional utilities
- Duos Energy's access to currently-available generating equipment couples with our experience constructing fast-track power plants in less than 12 months
- Innovative solution focuses on generation of clean energy without the need to connect to the grid
- Duos Energy's solutions guarantees N+1 or N+2 redundancy from gas source to the data center
- The power plants can be combined with solar, battery and green hydrogen to create clean hybrid solutions



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Source: Company reports.



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Exhibit 7: Q3 2024 Results and Recent Highlights (as of November 19, 2024)

## Duos Technologies Group Reports Improved Third Quarter 2024 Results

**Revenue increased 112% to \$3.24 million in the quarter of which almost 50% was related to recurring revenue services and consulting with increased gross margin and decreased operating expenses.**

JACKSONVILLE, Fla., Nov. 19, 2024 (GLOBE NEWSWIRE) -- [Duos Technologies Group, Inc.](#) ("Duos" or the "Company") (Nasdaq: DUOT), reported financial results for the third quarter ("Q3 2024") ended September 30, 2024.

### Third Quarter 2024 and Recent Operational Highlights

Delivered and installed Edge Data Center for Amtrak at the Secaucus location. Construction work continues at the site. Received more than \$1.4 million in contract modifications at Amtrak including renewal of the subscription utilizing three portals for long-distance passenger trains. Initial discussions for future sites in progress.

Expanded investment in new subsidiary, "Duos Edge AI" with the addition of three new EDCs for a total of six units. Expecting continuous delivery to field in Q4 and Q1 and with initial customer indications of approximately \$3.3 million in annual recurring revenue for 2025.

New subsidiary, "Duos Energy Corporation", secured initial revenues during the quarter of approximately \$500,000 for consulting services to a large private equity group related to the evaluation of power generation assets with additional services expected in Q4. 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 growth in data centers.

Over 2.3 million comprehensive railcar scans were performed in the third quarter across 13 portals, with more than 379,000 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.

As of the end of the third quarter, the Company now has \$18.8 million of revenue in backlog including near-term extensions. In addition, the Company received a cash exercise of approximately \$900,000 for all remaining warrants and the Company now has no warrants outstanding.

Source: Company reports.

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**Exhibit 8: Q4 and 2024 Outlook (as of November 19, 2024)****Financial Outlook**

At the end of the third quarter, the Company's contracts in backlog and near-term renewals and extensions are now more than \$18.8 million in revenue, of which approximately at least \$1.6 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 \$10.0 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 and the Company will provide further updates as they become available.

**Management Commentary**

"The Company has made significant progress this year particularly in the establishment of new businesses and related market opportunities," said Chuck Ferry, Duos CEO. "I will be discussing more on these expansions in our upcoming earnings call but while the improved results this quarter are encouraging, I am particularly pleased with the progress of our Duos Edge AI subsidiary which continues to make inroads to that market. I expect that Duos will be delivering much higher growth, particularly in 2025 and beyond."

Source: Company reports.

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**Exhibit 9: Duos Technologies Group, Inc. Stock Price (5-Years)**



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

**Exhibit 10: Consensus Expectations (as of November 19, 2024)**

	Revenue (mil)			EPS	
	2024E	2025E		2024E	2025E
Q1 Mar	\$1.1A		Q1 Mar	\$(0.38)A	
Q2 Jun	\$1.5A		Q2 Jun	\$(0.43)A	
Q3 Sep	\$2.8E		Q3 Sep	\$(0.25)E	
Q4 Dec	\$6.8E		Q4 Dec	\$(0.10)E	
<b>Total</b>	<b>\$12.2E</b>	<b>\$22.4E</b>	<b>Total</b>	<b>\$(1.15)E</b>	<b>\$(0.28)E</b>

\*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	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
<b>Total Revenue</b>	1.4	3.6	4.0	5.9	15.0	2.6	1.8	1.5	1.5	7.5	1.1	1.5	3.2	3.9	9.7	3.7	4.0	5.7	6.6	20.0
<b>Cost of Revenues</b>	1.2	2.3	2.9	3.8	10.3	2.1	1.5	1.3	1.2	6.2	1.0	1.7	2.3	3.0	8.0	2.2	2.4	3.2	3.6	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)	0.9	0.9	1.7	1.5	1.6	2.4	3.0	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	0.5	0.2	2.0	0.6	0.6	0.5	0.3	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	0.4	0.4	1.6	0.6	0.6	0.5	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	2.0	2.3	8.1	1.9	1.6	2.3	2.0	7.7
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	2.8	2.9	11.6	3.0	2.8	3.2	2.7	11.7
<b>Operating income (loss)</b>	(2.6)	(1.4)	(1.9)	(1.0)	(6.9)	(2.1)	(3.1)	(3.0)	(3.2)	(11.4)	(2.8)	(3.2)	(1.9)	(2.1)	(10.0)	(1.5)	(1.2)	(0.8)	0.3	(3.2)
Interest income (expense)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
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	0.6	0.0	0.7	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)	(1.4)	(2.1)	(9.5)	(1.5)	(1.2)	(0.8)	0.2	(3.4)
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)	(1.4)	(2.1)	(9.5)	(1.5)	(1.2)	(0.8)	0.2	(3.4)
Nonrecurring/noncash adjustments					0.0					0.0					0.0					0.0
<b>Net income (pro forma)</b>	(2.6)	(1.3)	(1.9)	(1.0)	(6.9)	(2.1)	(3.0)	(2.9)	(3.2)	(11.2)	(2.8)	(3.2)	(1.4)	(2.1)	(9.5)	(1.5)	(1.2)	(0.8)	0.2	(3.4)
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)	(1.3)	(1.9)	(7.9)	(1.3)	(1.0)	(0.6)	0.4	(2.5)
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	7.7	8.4	7.7	8.5	8.6	8.7	8.8	8.7
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	7.7	8.4	7.7	8.5	8.6	8.7	8.8	8.7
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)	(\$0.18)	(\$0.25)	(\$1.22)	(\$0.18)	(\$0.14)	(\$0.10)	\$0.03	(\$0.39)
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)	(\$0.18)	(\$0.25)	(\$1.22)	(\$0.18)	(\$0.14)	(\$0.10)	\$0.03	(\$0.39)
<b>Margins</b>																				
Gross margin	15%	35%	27%	36%	32%	20%	14%	15%	20%	18%	9%	-14%	28%	23%	17%	40%	40%	43%	45%	43%
Sales & marketing	20%	10%	7%	6%	9%	12%	17%	23%	35%	20%	52%	47%	15%	6%	20%	15%	15%	8%	5%	10%
Research & development	30%	15%	8%	6%	11%	15%	30%	29%	28%	24%	36%	26%	12%	10%	16%	15%	15%	9%	6%	10%
General and administration	149%	49%	58%	40%	57%	75%	144%	156%	166%	126%	179%	126%	61%	60%	84%	50%	40%	40%	30%	39%
Operating margin	-184%	-39%	-46%	-16%	-46%	-81%	-178%	-194%	-208%	-153%	-258%	-213%	-59%	-53%	-103%	-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%	-43%	-54%	-97%	-41%	-31%	-15%	3%	-17%
<b>Y/Y % change</b>																				
Total Revenue	-33%	458%	131%	60%	82%	84%	-51%	-62%	-74%	-50%	-60%	-15%	112%	154%	30%	250%	162%	75%	70%	106%
Gross margin	-139%	-183%	-203%	247%	-286%	142%	-81%	-79%	-86%	-72%	-82%	-189%	306%	194%	29%	1484%	-837%	165%	233%	402%
Sales & marketing	-77%	32%	-21%	28%	8%	-77%	-2%	17%	50%	12%	-63%	29%	-34%	-51%	32%	-71%	6%	-24%	-27%	-2%
Research & development	74%	21%	-38%	8%	556%	-75%	33%	-16%	-7%	10%	-79%	2%	2%	-2%	-14%	-64%	6%	-14%	-22%	32%
General and administration	-37%	-17%	32%	1%	153%	-77%	29%	-6%	6%	10%	-80%	-1%	4%	18%	-14%	-77%	-16%	43%	-13%	-5%
Operating income (loss)	45%	-53%	-24%	301%	-8%	-19%	126%	59%	231%	67%	29%	2%	-35%	-35%	-13%	-46%	-63%	-59%	-113%	-68%
Net income (loss)	551%	-55%	-21%	377%	14%	-19%	123%	53%	232%	64%	28%	7%	-52%	-34%	-16%	-44%	-62%	-41%	-111%	-64%
EPS Diluted (pro forma)	330%	-73%	-56%	191%	-32%	-39%	89%	36%	216%	40%	26%	3%	-55%	-43%	-22%	-52%	-67%	-47%	-110%	-68%

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	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
<b>Assets</b>																
Cash and cash equivalents	5.3	6.3	5.0	1.1	4.3	2.5	3.3	2.4	3.0	0.5	0.6	(1.1)	(2.7)	(4.5)	(6.8)	(7.1)
Short term investments												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	1.6	1.7	1.7	1.8	2.5	2.9
Contract assets	0.3	0.7	0.8	0.4	1.4	1.0	1.3	0.6	0.9	1.1	0.6	0.6	0.6	0.6	0.6	0.6
Inventory	0.3	0.8	0.7	1.4	1.5	1.5	1.5	1.5	1.5	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Deferred income taxes												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	0.5	0.6	1.4	1.5	2.1	2.4
<b>Total current assets</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>6.3</b>	<b>6.4</b>	<b>3.4</b>	<b>4.4</b>	<b>2.9</b>	<b>2.0</b>	<b>0.4</b>	<b>(0.5)</b>	<b>(0.1)</b>
Property and equipment, net	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6	1.7	2.3	2.2	2.8	2.7	4.2	4.7
Operating lease	4.8	4.8	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.1	4.1	4.1	4.1	4.1
Intangibles, net	0.1	0.1	0.2	0.3	0.5	0.7	0.9	0.8	0.7	11.3	10.7	10.7	10.7	10.7	10.7	10.7
Deferred income tax												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
<b>Total assets</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>12.8</b>	<b>12.7</b>	<b>21.2</b>	<b>22.0</b>	<b>20.5</b>	<b>20.1</b>	<b>18.4</b>	<b>19.0</b>	<b>20.0</b>
<b>Liabilities and stockholders' equity</b>																
Accounts payable	1.0	1.3	1.6	2.3	1.3	0.8	0.6	0.6	0.2	0.8	1.7	2.1	2.1	2.2	3.2	3.7
Accounts payable - related party												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	0.3	0.4	1.5	0.8	1.1	1.3
Deferred revenue												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	2.4	5.0	3.9	1.0	2.1	2.4	1.6	1.7	1.7	3.7	3.0	3.0	3.0	3.0	3.0	3.0
Warrant liabilities												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	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total current liabilities</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>3.2</b>	<b>3.1</b>	<b>5.8</b>	<b>6.0</b>	<b>6.4</b>	<b>7.5</b>	<b>6.9</b>	<b>8.2</b>	<b>8.9</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	0.0											0.0	0.0	0.0	0.0	0.0
Contract liabilities										8.5	7.9	7.9	7.9	7.9	7.9	7.9
Leases	4.7	4.6	4.6	4.5	4.5	4.4	4.3	4.2	4.1	4.1	4.0	4.0	4.0	4.0	4.0	4.0
Deferred revenue												0.0	0.0	0.0	0.0	0.0
Long term debt											1.6	1.6	1.6	1.6	1.6	1.6
<b>Total other liabilities</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>4.2</b>	<b>4.1</b>	<b>12.5</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>
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	0.0	0.1	0.2	0.3	0.3	0.4
Additional paid-in capital	51.4	51.6	55.9	56.6	60.4	61.0	66.3	69.1	72.0	72.6	73.6	73.6	73.6	73.6	73.6	73.6
Retained earnings	(48.1)	(49.5)	(51.4)	(52.4)	(54.5)	(57.5)	(60.4)	(63.6)	(66.4)	(69.6)	(71.0)	(73.1)	(74.6)	(75.8)	(76.6)	(76.4)
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
<b>Total stockholders' equity</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>5.4</b>	<b>5.5</b>	<b>2.9</b>	<b>2.5</b>	<b>0.5</b>	<b>(0.9)</b>	<b>(2.1)</b>	<b>(2.8)</b>	<b>(2.5)</b>
<b>Total stockholders' equity and liabil</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>12.8</b>	<b>12.7</b>	<b>21.2</b>	<b>22.0</b>	<b>20.5</b>	<b>20.1</b>	<b>18.4</b>	<b>19.0</b>	<b>20.0</b>

**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	Q3A	Q4E	Q1E	Q2E	Q3E	Q4E
Prepaid as % of total rev	58%	20%	16%	7%	20%	28%	23%	12%	37%	39%	16%	16%	37%	37%	37%	37%
A/P as % of total rev	67%	36%	41%	39%	48%	43%	40%	39%	17%	56%	53%	53%	56%	56%	56%	56%
Accrued exp related as % of total rev	41%	14%	12%	8%	14%	17%	18%	11%	22%	17%	10%	10%	40%	20%	20%	20%
<b>Activity Ratios</b>																
A/R Days Sales Outstanding	21	8	50	52	24	15	15	86	50	8	44	40	40	40	40	40
<b>Book &amp; Cash Value (per share)</b>																
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	\$0.33	\$0.06	-\$0.11	-\$0.24	-\$0.32	-\$0.28
Cash per Share (diluted)	\$1.00	\$1.03	\$0.77	\$0.16	\$0.61	\$0.34	\$0.45	\$0.34	\$0.41	\$0.07	\$0.08	-\$0.13	-\$0.32	-\$0.52	-\$0.78	-\$0.81
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	-\$0.15	-\$0.34	-\$0.53	-\$0.73	-\$0.99	-\$1.01

Source: Company reports and Ascendant Capital Markets estimates

**Duos Technologies Group, Inc.**

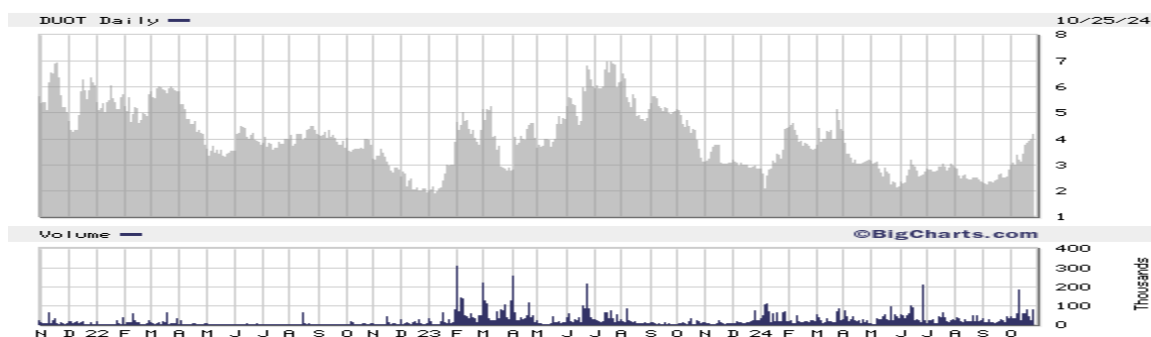
Cash Flow Statement (\$ mils)	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	Mar-25	Jun-25	Sep-25	Dec-25	2025	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
<b>Cash flow from operating activities</b>																					
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)	(1.4)	(2.1)	(9.5)	(1.5)	(1.2)	(0.8)	0.2	(3.4)	
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	0.7	0.1	1.6	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					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	0.5	0.1	0.1	0.1	0.1	0.3	
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				(0.2)	(0.2)					0.0	
Writedowns and impairments					0.0					0.0					0.0					0.0	
Other gains/losses					0.0					0.0				(0.4)	(0.4)					0.0	
Other				0.2	0.2	0.1	(0.1)	0.0	0.0	0.0				0.3	0.3					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	(1.5)	(0.1)	(0.3)	0.1	(0.1)	(0.8)	(0.4)	(1.2)	
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					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	0.0	0.0	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)	0.3	(0.1)	0.2	(0.8)	(0.1)	(0.6)	(0.3)	(1.8)	
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	1.0	0.3	1.5	0.0	0.1	1.0	0.5	1.6	
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)	0.1	0.2	1.1	(0.7)	0.3	0.2	0.9	
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)	(1.2)	(1.9)						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)	(0.1)	0.0	(0.3)	0.0	0.0	0.0	0.0	0.0	
<b>Net cash (used in) provided by</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>(3.1)</b>	<b>(8.7)</b>	<b>(2.0)</b>	<b>(1.9)</b>	<b>(2.3)</b>	<b>(1.7)</b>	<b>(7.9)</b>	<b>(0.9)</b>	<b>(1.8)</b>	<b>(0.7)</b>	<b>0.4</b>	<b>(3.1)</b>	
<b>Cash flow from investing activities</b>																					
Purchases of property and equi	(0.1)	(0.0)	(0.3)	0.1	(0.3)	(0.0)	(0.1)	(0.0)	(0.3)	(0.5)	(0.0)	(0.9)	(0.7)	(0.0)	(1.6)	(0.7)	(0.0)	(1.6)	(0.7)	(2.9)	
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)					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>(0.2)</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>(0.0)</b>	<b>(0.9)</b>	<b>(0.7)</b>	<b>(0.0)</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>(0.0)</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>(2.9)</b>	
<b>Cash flow from financing activities</b>																					
Issuance of debt					0.0					0.0				0.0	0.0	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)	(0.1)		(0.3)					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	2.1	0.0	5.1	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	1.1		1.2					0.0	
Other					0.0					0.0					0.0					0.0	
Dividends and distributions					0.0					0.0					0.0					0.0	
<b>Cash provided by (used in) fina</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>2.6</b>	<b>0.3</b>	<b>3.1</b>	<b>0.0</b>	<b>6.0</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>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>(0.8)</b>	<b>1.3</b>	<b>0.5</b>	<b>(2.5)</b>	<b>0.1</b>	<b>(1.7)</b>	<b>(3.5)</b>	<b>(1.6)</b>	<b>(1.8)</b>	<b>(2.3)</b>	<b>(0.3)</b>	<b>(6.0)</b>	
<b>Beginning cash and equivalents</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>2.4</b>	<b>3.0</b>	<b>0.5</b>	<b>0.6</b>	<b>2.4</b>	<b>(1.1)</b>	<b>(2.7)</b>	<b>(4.5)</b>	<b>(6.8)</b>	<b>(1.1)</b>	
<b>Ending cash and equivalents</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>2.4</b>	<b>2.4</b>	<b>3.0</b>	<b>0.5</b>	<b>0.6</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>(2.7)</b>	<b>(4.5)</b>	<b>(6.8)</b>	<b>(7.1)</b>	<b>(7.1)</b>	

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
8	9/10/2024	Buy	6.00

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

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

**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.

## Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of October 11, 2024)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	58	98%	25	43%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	59	100%	25	42%

## Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

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