August 13, 2020

Duos Technologies Group Reports Second Quarter and Six Month 2020 Results

Incrementally Improved Quarterly Results Year-Over-Year

Expected Upside in the Second Half of 2020 in Challenging Market Environment

JACKSONVILLE, FL / ACCESSWIRE / August 13, 2020 /Duos Technologies Group, Inc. ("Duos" or the "Company") (NASDAQ:DUOT), a provider of intelligent security analytical technology solutions, reported financial results for the second quarter ended June 30, 2020.

Second Quarter 2020 and Recent Operational Highlights

- Awarded a $2.1 million contract by an existing class one railroad customer to integrate up to one hundred (100) artificial intelligent ("AI") use cases into its proprietary centraco® platform for future use by the railroad in its automation-focused efforts.
- Awarded $945,000 follow-on contract for Monroe County Sheriff's office in Florida to provide the Company's Intelligent Correctional Automation System, icas™, which is expected to be implemented starting in late 2020 and completed in 2021.
- Awarded a $1.8 million contract for a turn-key Rail Inspection Portal (rip®), which is expected to be completed by the end of the third quarter of this year.
- Recently executed master service agreement with major railroad customer covering service and support and upgrades to existing installations.

Second Quarter 2020 Financial Results

It should be noted that the following Financial Results represent the consolidation of the Company with its subsidiaries Duos Technologies, Inc. and truevue360™.

Total revenue increased 47% to $1.98 million compared to $1.35 million in the same quarterly period last year. The increase in total revenue for the quarter was due to completion of customer contracts during the quarter.

Gross profit increased 324% to $739,000 (37% of total revenue) compared to $174,000 (13% of total revenue) in the same quarterly period last year. The increase in gross profit was due to the increase in revenues during the quarter.

Operating expenses increased 2% to $2.17 million from $2.12 million in the same quarterly period last year. The minimal increase in expenses was due to due to anticipation of customer contracts that were delayed due to the COVID-19 pandemic, which was mostly offset by reduced hiring plans during the quarter in response to the pandemic.

Net loss totaled $1.47 million, an improvement from net loss of $1.95 million in the same

quarter a year-ago. The decrease in net loss was primarily attributable to both higher revenues and reduction of costs given the anticipated impact of certain business delays.

Cash and cash equivalents at quarter-end totaled $5.37 million, compared to $56,000 at December 31, 2019.

Six Month 2020 Financial Results

Total revenue decreased 48% to $2.97 million from $5.70 million in the same period last year. The decrease in total revenue was driven by a slowdown in overall business bookings during the first six months due to delays in executing new contracts and certain travel restrictions.

Gross profit decreased 63% to $842,000 (28.3% of total revenue) from $2.31 million (40.5% of total revenue) in the same period last year. The decrease in gross profit was mainly the result of lower revenues during the six-month period and the proportion of costs allocated to projects being higher as a percentage against lower revenues.

Operating expenses increased 4% to $4.36 million from $4.21 million in the same period last year. The increase in operating expenses was primarily due to certain one-time expenditures related to the Company's capital raise earlier in the year. The Company has taken actions to reduce certain expenditures to align its spending with the current slowdown in revenues due to delays in execution of existing projects.

Net loss totaled $3.61 million, compared to a net loss of $1.91 million in the same period a year-ago. The greater net loss was primarily attributable to the effect of lower overall revenues during the six-month period.

Management Commentary

"In the second quarter we generated incrementally improved year-over-year results in the face of ongoing, difficult market conditions, and we believe we have effectively adapted our organization to the new normal working environment," said Duos Chairman and CEO Gianni Arcaini. "Deal flow in recent months has begun to resume as evidenced by a few of the notable contracts we were awarded during the period. We are also encouraged by the strength of our pipeline, which continues to portend a backloaded second half as many of the contracts that were delayed by COVID are now being revisited. In the meantime, we've taken decisive measures to control our operational costs to support the long-term viability of our business. As conditions improve, we'll look to make additional adjustments to address our anticipated increased demand over the coming quarters.

"Looking to the future, the Board of Directors remains focused on finding a replacement for the CEO position with the right mix of technical acumen, sales experience and leadership abilities to guide our Company into its next phase of growth. As organizations the world over are looking increasingly to leverage technology to automate and streamline processes in a more distributed fashion, the opportunity for Duos continues to grow. While some timelines have been pushed out, we are confident that the broad applicability of our solutions will enable us to take advantage of this accelerated digital transformation over the long term."

Conference Call

The Company's management will host a conference call today, Thursday, August 13, 2020 at 5:00 p.m. Eastern time (2:00 p.m. Pacific time) to discuss these results, followed by a question and answer period.

Date: Thursday, August 13, 2020
Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)
U.S. dial-in: (877) 407-3088
International dial-in: +1 (201) 389-0927
Confirmation: 13708192

Please call the conference telephone number 5-10 minutes prior to the start time of the conference call. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at (949) 574-3860.

The conference call will be broadcasted live via telephone and available for online replay via the investor section of the Company's website here.

About Duos Technologies Group, Inc.

Duos Technologies Group, Inc. (Nasdaq: DUOT), based in Jacksonville, Florida, through its wholly owned subsidiary, Duos Technologies, Inc., provides advanced, analytical technology solutions with a strong portfolio of intellectual property. The Company's core competencies include intelligent technologies that combine machine learning, artificial intelligence and advanced video analytics that are delivered through its proprietary integrated enterprise command and control centraco® platform. The Company provides its broad range of technology solutions with an emphasis on mission critical security, inspection and operations within the rail transportation, retail, petrochemical, government, and banking sectors. Duos Technologies also offers professional and consulting services for large data centers. For more information, visit www.duostech.com.

Forward Looking Statements

This news release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things our plans, strategies and prospects -- both business and financial. Although we believe that our plans, intentions and expectations reflected in or suggested by these forward-looking statements are reasonable, we cannot assure you that we will achieve or realize these plans, intentions or expectations. Forward-looking statements are inherently subject to risks, uncertainties and assumptions. Many of the forward-looking statements contained in this news release may be identified by the use of forward-looking words such as "believe," "expect," "anticipate," "should," "planned," "will," "may," "intend," "estimated," and "potential," among others. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this news release include market conditions and those set forth in reports or documents that we file from time to time with the United States Securities and Exchange Commission. All forward-looking statements attributable to Duos Technologies Group, Inc. or a person acting on its behalf are expressly qualified in their entirety by this cautionary language.

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DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES:				
Technology systems	$ 1,419,409	$ 984,991	$ 1,933,083	$ 4,903,429
Technical support	382,124	280,601	727,311	602,075
Consulting services	2,385	80,213	134,469	192,382
AI technologies	178,224	-	178,224	-
Total Revenues	1,982,142	1,345,805	2,973,087	5,697,886
COST OF REVENUES:				
Technology systems	897,514	967,649	1,479,058	3,060,643
Technical support	234,754	156,341	469,030	261,665
Consulting services	-	47,415	72,260	70,334
AI technologies	110,499	-	110,499	-
Total Cost of Revenues	1,242,767	1,171,405	2,130,847	3,392,642
GROSS PROFIT	739,375	174,400	842,240	2,305,244
OPERATING EXPENSES:				
Research and development	149,566	487,738	555,958	871,160
Engineering	352,970	289,986	665,406	624,549
Sales & marketing	122,473	270,196	262,325	520,620
Administration	1,023,947	872,972	2,039,497	1,807,645
AI technologies	517,475	202,673	834,024	383,986
Total Operating Expenses	2,166,431	2,123,565	4,357,211	4,207,960
LOSS FROM OPERATIONS	(1,427,056)	(1,949,165)	(3,514,971)	(1,902,716)
OTHER INCOME (EXPENSES):				
Interest Expense	(58,243)	(3,692)	(127,175)	(6,313)
Other income, net	19,410	3,066	29,208	3,407
Total Other Income (Expense)	(38,833)	(626)	(97,967)	(2,906)
NET LOSS	(1,465,889)	(1,949,791)	(3,612,938)	(1,905,622)
Basic & Diluted Net Loss Per Share	$ (0.42)	$ (1.09)	$ (1.16)	$ (1.14)
Weighted Average Shares-Basic & Diluted	3,526,382	1,788,659	3,106,660	1,665,439

CONSOLIDATED BALANCE SHEETS

	June 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,374,786	$ 56,249
Accounts receivable, net	496,807	2,611,608
Contract assets	845,810	1,375,920
Prepaid expenses and other current assets	698,158	716,598
Total Current Assets	7,415,561	4,760,375
Property and equipment, net	346,979	260,181
Operating lease right of use asset	316,726	430,146
OTHER ASSETS:		
Software Development Costs, net	10,000	20,000
Patents and trademarks, net	66,649	61,598
Total Other Assets	76,649	81,598
TOTAL ASSETS	$ 8,155,915	$ 5,532,300
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 632,043	$ 2,641,437
Accounts payable - related parties	12,491	12,791
Notes payable - financing agreements	175,796	42,299
Notes payable - related parties, net of discounts	-	905,373
Line of credit	-	27,615
Payroll taxes payable	10,730	115,111
Accrued expenses	130,798	393,272
Current portion - financing lease agreements	84,635	45,072
Current portion-operating lease obligations	252,907	239,688
Current portion-SBA loan	627,465	-
Contract liabilities	3,283	8,661
Deferred revenue	493,830	936,428
Total Current Liabilities	2,423,978	5,367,747
Finance lease payable	149,314	89,026
Operating lease obligations	74,713	202,797
SBA loan	782,805	-
Total Liabilities	3,430,810	5,659,570

Commitments and Contingencies (Note 6)

STOCKHOLDERS' EQUITY (DEFICIT):		
Series A redeemable convertible cumulative preferred stock, $10 stated value per share, 500,000 shares designated; 0 issued and outstanding at June 30, 2020 and December 31, 2019, convertible into common stock at $6.30 per share	-	-
Series B convertible cumulative preferred stock, $1,000 stated value per share, convertible into common stock at $7 per share	1,705,000	1,705,000
Common stock: $0.001 par value; 500,000,000 shares authorized, 3,527,470 and 1,982,039 shares issued, 3,526,146 and 1,980,715 shares outstanding at June 30, 2020 and December 31, 2019, respectively	3,528	1,982
Additional paid-in capital	39,527,682	31,063,915
Total stock & paid-in-capital	41,236,210	32,770,897
Accumulated deficit	(36,353,653)	(32,740,715)
Sub-total	4,882,557	30,182
Less: Treasury stock (1,324 shares of common stock at June 30, 2020 and December 31, 2019)	(157,452)	(157,452)
Total Stockholders' Equity (Deficit)	4,725,105	(127,270)
Total Liabilities and Stockholders' Equity (Deficit)	$ 8,155,915	$ 5,532,300

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30,	
	2020	2019
Cash from operating activities:		
Net loss	$ (3,612,938)	$ (1,905,622)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	97,353	87,325
Stock based compensation	8,100	28,134
Modification of employee stock options	190,970	-
Stock issued for services	15,000	-
Interest expense related to debt discounts	94,627	-
Changes in assets and liabilities:		
Accounts receivable	2,114,802	(302,986)
Contract assets	530,110	904,543
Prepaid expenses and other current assets	235,194	86,411
Operating lease right of use asset	113,419	(565,926)
Accounts payable	(2,009,394)	(519,468)
Related payable-related party	(300)	-
Payroll taxes payable	(104,381)	(196,609)
Accrued expenses	(262,474)	15,671
Operating lease obligation	(114,865)	592,402

Contract liabilities	(5,378)	(1,170,197)
Deferred revenue	(442,598)	234,988
Net cash used in operating activities	(3,152,753)	(2,711,334)
Cash flows from investing activities:		
Purchase of patents/trademarks	(7,735)	(3,000)
Purchase of fixed assets	(171,467)	(223,549)
Net cash used in investing activities	(179,202)	(226,549)
Cash flows from financing activities:		
Repurchase of common stock	-	(1,151)
Repayments of line of credit	(27,615)	(2,497)
Issuance cost	(1,001,885)	(10,000)
Repayments of notes payable	(1,000,000)	-
Repayments of insurance and equipment financing	(83,257)	(141,105)
Repayment of finance lease	(21,786)	-
Proceeds from SBA loan	1,410,270	-
Proceeds from equipment leasing	121,637	-
Proceeds from common stock issued	9,253,128	-
Proceeds from warrants exercised	-	2,164,019
Net cash provided by financing activities	8,650,492	2,009,266
Net increase (decrease) in cash	5,318,537	(928,617)
Cash, beginning of period	56,249	1,209,301
Cash, end of period	5,374,786	280,684
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 29,830	$ 4,109
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ 15,000	$ -
Lease right of use asset and liability	$ 644,245	$ -
Note issued for financing of insurance premiums	$ 216,754	$ 217,804

SOURCE: Duos Technologies Group, Inc.

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