UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 14, 2025

Duos Technologies Group, Inc.

(Exact name of registrant as specified in its charter)

Florida	**001-39227**	**65-0493217**
(State or Other Jurisdiction of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification No.)*

7660 Centurion Parkway, Suite 100, Jacksonville, Florida 32256
(Address of Principal Executive Offices) (Zip Code)

(904) 296-2807
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (par value $0.001 per share)	DUOT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 14, 2025, Duos Technologies Group, Inc. (the "Company") issued a press release announcing the financial and operating results of the Company for the quarter and six months ended June 30, 2025. The text of the press release is furnished as Exhibit 99.1 and incorporated herein by reference.

Additionally, on August 14, 2025, the Company held an earnings phone call open to the public (the "Earnings Call"). Mr. Chuck Ferry, the Company's Chief Executive Officer, along with Mr. Adrian G. Goldfarb, the Company's Chief Financial Officer, discussed the financial and operating results of the Company for the quarter and six months ended June 30, 2025. The transcript of the Earnings Call is furnished as Exhibit 99.2 and incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

The information set forth in Item 2.02 of this Current Report on Form 8-K is incorporated by reference into this Item 7.01.

The information in Item 2.02 and Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

The press release and transcript of the Earnings Call may also be found on our website at https://www.duostechnologies.com/.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
99.1	Press Release, dated August 14, 2025
99.2	Transcript of Earnings Call with Mr. Chuck Ferry and Mr. Adrian G. Goldfarb, dated August 14, 2025
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

DUOS TECHNOLOGIES GROUP, INC.

Dated: August 18, 2025	By:	/s/ *Adrian G. Goldfarb*
		Adrian G. Goldfarb
		Chief Financial Officer

Exhibit 99.1

duostech

Duos Technologies Group Reports Second Quarter 2025 Results

280% increase in quarterly revenue with a strong start in its energy services and edge computing businesses puts the Company on plan to achieve guidance of $28M to $30M for the full year.

JACKSONVILLE, FL / Globe Newswire / August 14, 2025 - **Duos Technologies Group, Inc.** (“Duos” or the “Company”) (Nasdaq: DUOT), a provider of adaptive, versatile and streamlined Edge Data Center (“EDC”) solutions and operational services for the deployment of "behind the meter” electrical power reported financial results for the second quarter (“Q2 2025”) ended June 30, 2025. In addition to the equivalent quarter revenue growth, consecutive quarterly revenue growth was more than 16% for a total of $10.7 million for the first six months, the highest revenue for that period in the Company’s history.

Second Quarter 2025 and Recent Operational Highlights

- Recorded over $5.69 million in Services and Consulting revenue including $4.76 million for services related to the Asset Management Agreement (“AMA”) with New APR Energy.
- Significant improvement in Gross Margin compared to the same quarter one year ago and further improvements expected in Q3.
- Showcased the first production standalone Edge Data Center (“EDC”) with revenues starting June 1 and began installation activities at three additional locations with long term land lease agreements and identified “anchor tenants”.
- Placed orders for four additional data centers for a total of 10 units so far, all of which have identified locations plus 20 backup generators the combination of which is expected to meet the goal of 15 deployed units by year end.

- Through the AMA, completed mobilization and installation of six gas turbine generators (150MW) in Mexico resulting in additional high margin revenue for the Company and four additional generators at a Hyperscaler site in Tennessee.
- As of the end of the second quarter, the Company had $40.7 million of revenue in backlog plus approximately $18 million of contracted backlog and near-term awards, renewals and other anticipated business to be recognized during the remainder of 2025.
- Completed a $40 million public offering and raised a further $12.5 million via an At-the-Market (“ATM”) offering bolstering its cash position and putting the Company in position to install 15 EDCs in 2025 and a further 50 EDCs in 2026.

Second Quarter 2025 Financial Results
It should be noted that the following Financial Results represent the consolidation of the Company with its subsidiaries Duos Technologies, Duos Edge AI, Inc., and Duos Energy Corporation (“Duos Energy”).

Total revenues for Q2 2025 increased 280% to $5.74 million compared to $1.51 million in the second quarter of 2024 (“Q2 2024”). Total revenue for Q2 2025 represents an aggregate of approximately $40,000 of technology systems revenue and approximately $5,7 million in recurring services and consulting and hosting revenue. The significant revenue increase in the second quarter, compared to the same quarter last year, was primarily driven by Duos Energy beginning to execute against the Asset Management Agreement ("AMA") with New APR that was signed on December 31, 2024. Under the AMA, Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance-of-plant inventory, providing management, sales, and operational support services to New APR. The decrease in technology systems revenues was primarily attributed to delays outside of the Company’s control with deployment of our two high-speed Railcar Inspection Portals. Although these systems remain largely ready for deployment, customer delays at the deployment site continue to prevent the Company from entering the installation phase. In spite of the timing delays that continue to impact the quarterly results, management remains confident in the long-term potential of the RIP product.

Cost of revenues for Q2 2025 increased 144% to $4.22 million compared to $1.73 million for Q2 2024. The significant increase in cost of revenues was primarily due to supporting the AMA with New APR, where Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance-of-plant inventory, providing management, sales, and operational support services to New APR. The cost of revenues on technology systems decreased compared to the equivalent period in 2024. This reduction is primarily driven by our ability in Q2 2025 to reallocate certain fixed operating and servicing costs for technology systems to support the AMA, an allocation we could not make in the comparative period because the agreement was not yet in effect. It also reflects the ramp-down of manufacturing ahead of field installation of our two high-speed Railcar Inspection Portals, which has continued to temporarily slow project activity and further reduced cost of revenues while we await customer readiness for site deployment.

Gross margin for Q2 2025 increased 808% to $1.52 million compared to negative $0.21 million for Q2 2024. Gross margin improved primarily due to Duos Energy beginning performance of the AMA with New APR. This includes $904,125 in revenue recognized during the three months ended June 30, 2025, related to the Company's 5% non-voting equity interest in the ultimate parent of New APR, which carried no associated costs and therefore contributed at a 100% margin. These revenues and the associated margin contribution were not present in the prior year period.

Operating expenses for Q2 2025 increased 65% to $4.96 million compared to $3.0 million for Q2 2024. The increase in expenses is largely attributed to non-cash stock-based compensation charged for restricted stock granted to the executive team on January 1, 2025, under new employment agreements with a three-year cliff vesting schedule. In addition, the Company recorded compensation expenses for commissions and bonuses of which approximately $1.0 million is one time in nature related to the closure of the APR transaction and associated AMA and 5% ownership grant. Overall, sales and marketing costs declined as resources were allocated to costs of service and consulting revenues in support of the AMA with New APR. Additionally, research and development expenses fell by 21% owing to complete development and testing of prospective technologies. The Company continues to focus on stabilizing operating expenses including evaluating reductions in some areas, while continuing to meet the increased requirements of our new businesses.

Net operating loss for Q2 2025 totaled $3.44 million compared to net operating loss of $3.22 million for Q2 2024. The increase in loss from operations was primarily the result of non-cash stock-based compensation charged for restricted stock and onetime expenses that were not in the comparative period, offset by increased revenues during the quarter, driven by revenue generated by Duos Energy through the AMA with New APR.

Net loss for Q2 2025 totaled $3.52 million compared to net loss of $3.20 million for Q2 2024. The 10% increase in net loss was mostly attributed to the non-cash stock-based compensation charged for restricted stock and one-time compensation expenses that were not in the comparative period, offset by an increase in revenues generated by Duos Energy through the AMA with New APR as described above. Net loss per common share was $0.30 and $0.43 for the three months ended June 30, 2025 and 2024, respectively.

Cash and cash equivalents at June 30, 2025 totaled $1.47 million compared to $6.27 million at December 31, 2024. In addition, the Company had over $2.34 million in receivables and contract assets for a total of approximately $3.81 million in cash and expected short-term liquidity.

Six Month 2025 Financial Results

Total revenue increased 314% to $10.69 million from $2.58 million in the same period last year. Total revenue for the first six months of 2025 represents an aggregate of approximately $105,000 of technology systems revenue and approximately $10.59 million in recurring services and consulting revenue. The significant revenue increase in the period, compared to the same period last year, was primarily driven by Duos Energy beginning to execute against the AMA with New APR that was signed on December 31, 2024. Under the AMA, Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance-of-plant inventory, providing management, sales, and operational support services to New APR. The decrease in technology systems revenues was primarily attributed to delays outside of the Company's control with deployment of our two high-speed Railcar Inspection Portals. Although these systems remain largely ready for deployment, customer delays at the deployment site continue to prevent the Company from entering the installation phase although this is now expected to be mitigated in the second half of 2025. In spite of the timing delays that continue to impact the quarterly results, management remains confident in the long-term potential of the RIP product.

Cost of revenues increased 191% to $7.86 million from $2.70 million in the same period last year. The significant increase in cost of revenues was primarily due to supporting the AMA with New APR, where Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance-of-plant inventory, providing management, sales, and operational support services to New APR. The cost of revenues on technology systems decreased compared to the equivalent period in 2024. This reduction is primarily driven by our ability in the period to reallocate certain fixed operating and servicing costs for technology systems to support the AMA, an allocation we could not make in the comparative period because the agreement was not yet in effect. It also reflects the ramp-down of manufacturing ahead of field installation of our two high-speed Railcar Inspection Portals, which has continued to temporarily slow project activity and further reduce cost of revenues while we await customer readiness for site deployment.

Gross margin increased 2,462% to $2.83 million from negative $120,000 in the same period last year. Gross margin improved primarily due to Duos Energy beginning performance of the AMA with New APR. This includes $1.81 million in revenue recognized during the period, related to the Company's 5% non-voting equity interest in the ultimate parent of New APR, which carried no associated costs and therefore contributed at a 100% margin. These revenues and the associated margin contribution were not present in the prior year period.

Operating expenses increased 38% to $8.06 million from $5.86 million in the same period last year. The Company experienced a significant increase in overall operating expenses compared to the same period in 2024. Sales and marketing costs declined as resources were allocated to costs of service and consulting revenues in support of the AMA with New APR. Additionally, research and development expenses fell by 5% owing to scaled-back testing of prospective technologies. General and administration costs increased 73%, largely due to non-cash stock-based compensation charged for restricted stock granted to the executive team on January 1, 2025, under new employment agreements with a three-year cliff vesting schedule as well as one time compensation costs related to the closing of the AMA and 5% ownership agreements as previously described. Additionally, there were general and administration costs that were allocated to cost of service and consulting revenues in support of the AMA with New APR. Overall, the Company continues to focus on stabilizing operating expenses while meeting the increased needs of our customers.

Net operating loss totaled $5.23 million compared to net operating loss of $5.98 million in the same period last year. The decrease in loss from operations was primarily the result of increased revenues during the period, driven by revenue generated by Duos Energy through the AMA with New APR. The net operating losses are expected to improve in the second half of 2025.

Net loss totaled $5.60 million compared to a net loss of $5.96 million in the same period last year. The 6% decrease in net loss was mostly attributed to the increase in revenues generated by Duos Energy through the Asset Management Agreement with New APR as described above. Net loss per common share was $0.48 and $0.81 for the six months ending June 30, 2025 and 2024, respectively.

Financial Outlook

At the end of the second quarter, the Company's contracts in backlog represented approximately $40.7 million in revenue, of which approximately $18 million is expected to be recognized in calendar 2025 including an estimated $12.3 million of contracted backlog and $5.7 million in expected near-term awards, renewals and anticipated additional business. The remaining contract backlog consists of multi-year service and software agreements, along with project revenues extending beyond 2025, related to Duos, Duos Edge AI, and Duos Energy.

Based on these committed contracts and near-term pending orders that are already performing or scheduled to be executed throughout the course of 2025, the Company is reiterating its previously stated revenue expectations for the fiscal year ending December 31, 2025. The Company expects total revenue for 2025 to range between $28 million and $30 million, representing an increase of 285% to 312% from 2024. Duos expects this improvement in operating results to be reflected over the course of the full year in 2025.

Management Commentary

"I continue to be impressed with the significant improvement in the business since our pivot in the middle of 2024 to add new businesses to the Duos portfolio. We have recorded higher revenues in the first half than at any other time in the Company's history and I am highly confident of our continued progress in the second half, not only achieving our revenue guidance but also I am anticipating that we will be recording the first quarter of breakeven or better in the Company's history," said Chuck Ferry, Duos CEO. "My expectation is that we will continue to deliver growth, in the second half and beyond, as the results of all our current and planned initiatives become booked revenues."

Conference Call

The Company's management will host a conference call today, August 14, 2025, at 4:30 p.m. Eastern time (1:30 p.m. Pacific time) to discuss these results, followed by a question-and-answer period.

Date: Thursday, August 14, 2025
Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)
U.S. dial-in: 877-407-3088
International dial-in: 201-389-0927
Confirmation: 13755359

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 DUOT@duostech.com.

The conference call will be broadcast 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 subsidiaries, Duos Technologies, Inc., Duos Edge AI, Inc., and Duos Energy Corporation, designs, develops, deploys and operates intelligent technology solutions for Machine Vision and Artificial Intelligence ("AI") applications including real-time analysis of fast-moving vehicles, Edge Data Centers and power consulting. For more information, visit www.duostech.com , www.duosedge.ai and www.duosenergycorp.com.

Forward-Looking Statements

This news release includes forward-looking statements regarding the Company's financial results and estimates and business prospects that involve substantial risks and uncertainties that could cause actual results to differ materially. Forward-looking statements relate to future events and typically address the Company's expected future business and financial performance. The forward-looking statements in this news release relate to, among other things, information regarding anticipated timing for the installation, development and delivery dates of our systems; anticipated entry into additional contracts; anticipated effects of macro-economic factors (including effects relating to supply chain disruptions and inflation); timing with respect to revenue recognition; trends in the rate at which our costs increase relative to increases in our revenue; anticipated reductions in costs due to changes in the Company's organizational structure; potential increases in revenue, including increases in recurring revenue; potential changes in gross margin (including the timing thereof); statements regarding our backlog and potential revenues deriving therefrom; and statements about future profitability and potential growth of the Company. Words such as "believe," "expect," "anticipate," "should," "plan," "aim," "will," "may," "should," "could," "intend," "estimate," "project," "forecast," "target," "potential" and other words and terms of similar meaning, typically identify such forward-looking statements. Forward-looking statements involve risks and uncertainties and there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the Company's ability to generate sufficient cash to expand operations, the competitive environment generally and in the Company's specific market areas, changes in technology, the availability of and the terms of financing, changes in costs and availability of goods and services, economic conditions in general and in the Company's specific market areas, changes in federal, state and/or local government laws and regulations potentially affecting the use of the Company's technology, changes in operating strategy or development plans and the ability to attract and retain qualified personnel. The Company cautions that the foregoing list of risks, uncertainties and factors is not exclusive. Additional information concerning these and other risk factors is contained in the Company's most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other filings filed by the Company with the U.S. Securities and Exchange Commission (the "SEC"), which are available at the SEC's website, http://www.sec.gov. The Company believes its plans, intentions and expectations reflected in or suggested by these forward-looking statements are based on reasonable assumptions. No assurance, however, can be given that the Company will achieve or realize these plans, intentions or expectations. Indeed, it is likely that some of the Company's assumptions may prove to be incorrect. The Company's actual results and financial position may vary from those projected or implied in the forward-looking statements and the variances may be material. Each forward-looking statement speaks only as of the date of the particular statement. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any forward-looking statement is based, except as required by law. All subsequent written and oral forward-looking statements concerning the Company or other matters attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above.

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

	For the Three Months Ended June 30, 2025	For the Three Months Ended June 30, 2024	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
REVENUES:				
Technology systems	$ 41,397	$ 264,999	$ 106,081	$ 534,854
Services and consulting	926,241	1,245,497	1,898,992	2,046,322
Services and consulting - related parties	4,760,403	—	8,675,153	—
Hosting Revenue	8,000	—	8,000	—
Total Revenues	5,736,041	1,510,496	10,688,226	2,581,176
COST OF REVENUES:				
Technology systems	348,215	780,912	580,479	1,364,349
Services and consulting	877,058	944,148	1,625,252	1,336,759
Services and consulting - related parties	2,976,469	—	5,634,537	—
Hosting	15,343	—	15,343	—
Total Cost of Revenues	4,217,085	1,725,060	7,855,611	2,701,108
GROSS MARGIN	1,518,956	(214,564)	2,832,615	(119,932)
OPERATING EXPENSES:				
Sales and marketing	417,640	712,456	712,615	1,265,942
Research and development	307,339	390,000	731,770	772,142
General and administration	4,234,660	1,899,396	6,618,541	3,819,446
Total Operating Expenses	4,959,639	3,001,852	8,062,926	5,857,530
LOSS FROM OPERATIONS	(3,440,683)	(3,216,416)	(5,230,311)	(5,977,462)
OTHER INCOME (EXPENSES):				
Interest expense	(87,349)	(1,150)	(409,926)	(1,595)
Change in fair value of warrant liabilities	—	—	—	—
Gain on extinguishment of warrant liabilities	—	—	—	—
Interest income on lease receivable	1,247	—	1,247	—
Other income, net	8,754	13,395	41,296	22,577
Total Other Income (Expenses), net	(77,348)	12,245	(367,383)	20,982
NET LOSS	$ (3,518,031)	$ (3,204,171)	$ (5,597,694)	$ (5,956,480)
Basic and Diluted Net Loss Per Share	$ (0.30)	$ (0.43)	$ (0.48)	$ (0.81)
Weighted Average Shares-Basic and Diluted	11,847,115	7,450,676	11,619,714	7,378,813

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2025 (Unaudited)	December 31, 2024
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,474,395	$ 6,266,296
Accounts receivable, net	227,802	109,007
Accounts receivable, net - related parties	1,247,333	294,434
Contract assets	730,570	635,774
Subscription receivable	98,235	—
Lease receivable	34,440	—
Inventory	509,531	605,356
Prepaid expenses and other current assets	453,614	176,338
Total Current Assets	4,775,920	8,087,205
Inventory - non current, net	196,315	196,315
Lease receivable, less current portion	245,543	—
Property and equipment, net	3,604,910	2,771,779
Operating lease right of use asset - Office Lease, net	3,843,961	4,028,397
Financing lease right of use asset - Edge Data Centers, net	1,868,359	2,019,180
Security deposit	450,000	500,000
OTHER ASSETS:		
Equity Investment - Sawgrass APR Holdings LLC	7,233,000	7,233,000
Intangible Asset, net	8,495,875	9,592,118
Patents and trademarks, net	145,891	127,300
Software development costs, net	273,862	403,383
Total Other Assets	16,148,628	17,355,801
TOTAL ASSETS	$ 31,133,636	$ 34,958,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 889,326	$ 969,822
Notes payable - financing agreements	219,834	17,072
Accrued expenses	554,688	373,251
Operating lease obligation - Office Lease -current portion	808,516	798,556
Financing lease obligations - Edge Data Centers - current portion	527,777	367,451
Notes payable, net of discount - related parties	1,085,139	1,758,396
Contract liabilities, current	2,870,631	3,188,518
Contract liabilities, current - related parties	6,116,500	8,616,500
Total Current Liabilities	13,072,411	16,089,566
Contract liabilities, less current portion	6,303,392	7,399,634
Contract liabilities, less current portion - related parties	1,808,250	3,616,500
Operating lease obligation - Office Lease, less current portion	3,665,016	3,867,042
Financing lease obligations - Edge Data Centers, less current portion	1,551,920	1,724,604
Total Liabilities	26,400,989	32,697,346
Commitments and Contingencies (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,441,000 shares available to be designated		
Series A redeemable convertible preferred stock, $10 stated value per share, 500,000 shares designated; 0 and 0 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock at $6.30 per share	—	—
Series B convertible preferred stock, $1,000 stated value per share, 15,000 shares designated; 0 and 0 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock at $7 per share	—	—
Series C convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock at $5.50 per share	—	—
Series D convertible preferred stock, $1,000 stated value per share, 4,000 shares designated; 999 and 1,299 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock at $3.00 per share	1	1
Series E convertible preferred stock, $1,000 stated value per share, 30,000 shares designated; 12,500 and 13,500 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock	13	14

at $2.61 per share		
Series F convertible preferred stock, $1,000 stated value per share, 5,000 shares designated; 0 and 0 issued and outstanding at June 30, 2025 and December 31, 2024, respectively, convertible into common stock at $6.20 per share	—	—
Common stock: $0.001 par value; 500,000,000 shares authorized, 12,321,162 and 8,922,576 shares issued, 12,319,838 and 8,921,252 shares outstanding at June 30, 2025 and December 31, 2024, respectively	12,320	8,921
Additional paid-in-capital	84,843,468	76,777,856
Accumulated deficit	(79,965,703)	(74,368,009)
Sub-total	4,890,099	2,418,783
Less: Treasury stock (1,324 shares of common stock at June 30, 2025 and December 31, 2024)	(157,452)	(157,452)
Total Stockholders' Equity	4,732,647	2,261,331
Total Liabilities and Stockholders' Equity	$ 31,133,636	$ 34,958,677

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

	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Cash from operating activities:		
Net loss	$ (5,597,694)	$ (5,956,480)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,429,701	781,835
Inventory write-off	25,000	—
Stock based compensation	2,133,933	241,694
Stock issued for services	90,000	80,000
Amortization of debt discount related to warrant liabilities	326,743	168,562
Amortization of operating lease right of use asset - Office Lease	184,437	—
Amortization of lease right of use asset - Edge Data Centers	150,821	—
Changes in assets and liabilities:		
Accounts receivable	(118,795)	1,333,668
Accounts receivable-related parties	(952,898)	—
Lease receivable	2,789	—
Note receivable	—	(3,750)
Contract assets	(94,796)	(497,448)
Inventory	120,434	165,792
Prepaid expenses and other current assets	200,451	175,073
Accounts payable	(80,496)	253,863
Security deposit	50,000	50,000
Accrued expenses	181,437	87,912
Operating lease obligation - Office Lease	(192,066)	(166,477)
Financing lease obligations - Edge Data Centers	(12,359)	—
Contract liabilities	(1,414,129)	(655,228)
Contract liabilities, related parties	(4,308,250)	—
Net cash used in operating activities	(7,875,737)	(3,940,984)
Cash flows from investing activities:		
Purchase of patents/trademarks	(24,482)	(4,765)
Purchase of property and equipment	(1,363,559)	(884,520)
Net cash used in investing activities	(1,388,041)	(889,285)
Cash flows from financing activities:		
Repayments on financing agreements	(274,965)	(227,184)
Repayments of notes payable, related parties	(1,000,000)	—
Proceeds from common stock issued	5,692,579	115,563
Proceeds from exercise of stock options	144,777	—
Stock issuance cost	(205,238)	(76,188)
Proceeds from shares issued under Employee Stock Purchase Plan	114,724	87,348
Proceeds from preferred stock issued	—	2,995,002
Net cash provided by financing activities	4,471,877	2,894,541
Net increase (decrease) in cash	(4,791,901)	(1,935,728)
Cash, beginning of period	6,266,296	2,441,842
Cash, end of period	$ 1,474,395	$ 506,114
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 3,865	$ 1,596
Taxes paid	$ 19,733	$ 5,055
Supplemental Non-Cash Investing and Financing Activities:		
Notes issued for financing of insurance premiums	$ 477,727	$ 426,661
Transfer of inventory to property and equipment	$ 49,609	$ 300,000
Intangible asset acquired with contract liability	$ —	$ 11,161,428
Transfer of property and equipment to lease receivable	$ 282,772	$ —
Subscription receivable	$ 98,235	$ —
Conversion of Series E Preferred Stock into common stock	$ 1	$ —

Duos Technologies Group, Inc.
Second Quarter 2025 Earnings Conference Call
August 14, 2025

Presenters
Chuck Ferry, Chief Executive Officer
Adrian Goldfarb, Chief Financial Officer

Q&A Participants
Nico Sacchetti - RBC Wealth Management
Rick Jackson - True North Financial
Ed Woo - Ascendiant Capital Markets

Operator
Good afternoon. Welcome to Duos Technologies' Second Quarter 2025 Earnings Conference Call.

Joining us for today's call are Duos' CEO, Chuck Ferry, and CFO, Adrian Goldfarb. Following their remarks, we will open the call for your questions. Then before we conclude today's call, I'll provide the necessary cautions regarding the forward-looking statements made by management during this call.

Now I'd like to turn the call over to Duos' CEO, Chuck Ferry.

Chuck Ferry
Welcome, everyone, and thank you for joining us. Earlier today, we issued our earnings press release and our 2025 second quarter 10-Q. Copies are available on the Investor Relations section of our website. I encourage all listeners to view the press releases and our 10-Q filing to better understand some of the details we'll be discussing during today's call.

Our strategy to pivot to the Edge Data Center business is gaining momentum. We remain on plan to install 15 Edge Data Centers in Texas this year, and our pipeline of opportunities for 2026 is growing.

Now that we have properly capitalized this business through our recent raise, we have all the ingredients in place to grow this exciting new opportunity that is part of the overall data center growth story.

Through our asset management agreement with APR Energy, we have installed and commercially delivered a 150-megawatt gas turbine power plant in Mexico in 35 days. Simultaneously, we have delivered additional gas turbines into a large AI data center facility here in the United States.

The steady recurring revenues from the asset management agreement have stabilized our financials in a very positive way. The Railcar Inspection Portal business has largely been flat, but the rail industry has generally acknowledged it will be used very broadly in the coming years.

As you will hear from Adrian, our financial situation has much improved from this time last year, and we remain confident on the guidance we have issued for this year.

Over to you, Adrian, for the numbers.

Adrian Goldfarb
Thank you, Chuck. As usual, before covering the specific results for the second quarter, I will discuss the state of the company and the transformation that we have undergone in the past 15 months, since I returned as Chief Financial Officer.

At that time, Chuck expressed his desire to put the company on a different trajectory. He asked me and other senior leadership to work as a team to identify ways in which we might direct the considerable talent that had been assembled to redirect available resources, specifically financial, operational and technical, such we might put Duos on the path to significant growth and profitability.

During the strategic planning that has led us to where we are today, we recognized that despite the outstanding achievements we had made in developing the technology underlying the Railcar Inspection Portal, the speed at which the rail industry would adopt our solutions and as a small company, our ability to influence the industry seemed as if the time it might take and the financial resources needed might not be compatible with providing the returns our shareholders are expecting and shareholders whom I should say have been extremely supportive.

The management team, under Chuck's leadership, identified that we needed to diversify the business into at least two distinct businesses where the existing personnel had the skills and talent to rapidly undertake such a transition and make it successful in a relatively short space of time.

Chuck has previously discussed the thinking behind teaming up with Fortress Investment Group to pursue a multi-hundred million dollar purchase of gas turbines for power generation, resulting in an estimated $42 million contract for Duos to operationally manage those assets, as well as a 5% stake in the New APR entity, which we expect to be very accretive to shareholder value in the future.

The other transition, Duos Edge AI, takes our expertise in Edge Data Centers, which are referred to as EDCs or pods, developed for the Railcar Inspection Portal and under the leadership of Doug Recker, a 30-year veteran of the data center space, gives us the opportunity to participate in the rapidly growing market for data centers, where the demand is considerable.

These two initiatives put us in a completely different position than where we were just 12 months ago. With the support of our Board of Directors and major shareholders, we have been able to successfully negotiate the expansion of the business to the point where we have significant short-term revenue growth, combined with longer-term sustainable growth, putting us on the path to profitability.

Whereas we have been disappointed with the results of our legacy technology business in recent years, I am pleased to report that in many respects, we are beginning to make progress in this area as well and which we expect will make a contribution to the financial results in the second half of this year.

We are carefully evaluating our cost structure as it applies to the three subsidiaries with the expectation that we will rationalize accordingly and achieve economies of scale that were not previously possible with just a single line of business.

As you are all no doubt aware, we have been active in the capital markets in the past 15 months, raising more than $50 million at an average price of $5.97, or more than double from just 12 months previously. For the first time in the company's history, we are sufficiently capitalized to take advantage of the new markets we have entered.

In addition to the rise in the share price, our average trading volume has increased from less than 10,000 shares a day, what the Street calls trade by appointment, to more than 300,000 shares per day.

Before reviewing the formal results for the second quarter and first half and giving formal guidance, it is my expectation that revenues will continue to grow in each of the next two quarters. Chuck will discuss the individual business lines and give progress reports, but whereas our much improved results were largely driven by the execution of the asset management agreement in the first half, I expect to start seeing a broadening of the revenue sources to include the revenues from our EDC deployments as they come online and also better performance from our technology systems revenue line, all of which are anticipated to support a movement towards and achieving breakeven to profitability by Q4.

With that in mind, here are the results for the second quarter and first half. Total revenues for Q2 2025 increased 280% to $5.74 million, compared to $1.51 million in the second quarter of 2024. And for the six months ended 2025, total revenues increased 314% to $10.69 million from $2.58 million in the same period last year.

The substantial majority of our revenues for Q2 2025 was approximately $5.69 million in recurring services and consulting revenue, of which $4.76 million was primarily driven by Duos Energy beginning to execute against the asset management agreement with New APR.

As a reminder, under the AMA, Duos Energy oversees the deployment and operations of a fleet of mobile gas turbines and related balance of plant inventory, providing management, sales and operational support services to New APR.

Cost of revenues for Q2 2025 increased 144% to $4.22 million, compared to $1.73 million for Q2 2024. And for the six months ended 2025, cost of revenue increased 191% to $7.86 million from $2.7 million in the same period last year. The significant increase in cost of revenues was largely due to supporting the AMA with New APR.

Overall, the cost of revenues on technology systems decreased, compared to the equivalent period in 2024. This reduction is primarily driven by our ability in Q2 2025 to reallocate certain fixed operating and servicing costs for technology systems to support the AMA, an allocation we could not make in the comparative period because the agreement was not yet in effect.

It also reflects the ramp down of manufacturing ahead of field installation of our two high-speed Railcar Inspection Portals, which has continued to temporarily slow project activity and further reduce the cost of revenues, while we await customer readiness for site deployment.

Gross margin for Q2 2025 increased 808% to $1.52 million, compared to negative $215,000 for Q2 2024. And for the six months ended 2025, gross margin increased 2,462% to $2.83 million from negative $120,000 in the same period last year.

Gross margin improved primarily due to Duos Energy beginning performance at the AMA with New APR. This includes over $900,000 in revenue recognized during the three months ended June 30, 2025, related to the company's 5% nonvoting equity interest in the ultimate parent of New APR, which carried no associated costs and, therefore, contributed at a 100% margin. These revenues and the associated margin contribution were not present in the prior year period.

As I mentioned earlier, the increase in business from the AMA has improved gross margins with further improvements expected due to the greater profitability for Duos on certain aspects of the anticipated work it will perform on behalf of New APR.

Operating expenses for Q2 2025 increased 65% to $4.96 million, compared to $3 million for Q2 2024. And for the six months ended 2025, operating expenses increased 38% to $8.06 million from $5.86 million in the same period last year. The increase in expenses is largely attributed to noncash stock-based compensation charged for restricted stock granted to the executive team on January 1, 2025, under new employment agreements with a 3-year cliff vesting schedule.

In addition, the company recorded additional compensation expenses for commissions and bonuses, of which are onetime in nature related to the closure of the APR transaction and the associated asset management agreement and 5% ownership grant.

Overall, sales and marketing costs declined as resources were allocated to the cost of service and consulting revenues in support of the AMA with New APR. Additionally, research and development expenses decreased, owing to completed development and testing of prospective technologies.

The company continues to focus on stabilizing operating expenses, including evaluating reductions in some areas, while continuing to meet the increased requirements of our new businesses.

Net operating loss for Q2 2025 totaled $3.44 million, compared to a net operating loss of $3.22 million for Q2 2024. And for the six months ended 2025, net operating loss totaled $5.23 million, compared to a net operating loss of $5.98 million in the same period last year. The increase for the three months but decrease in loss from operations for the six months was primarily the result of increased revenues, compared to the equivalent periods driven by revenue generated by Duos Energy through the AMA with New APR.

Net loss for Q2 2025 totaled $3.52 million, compared to a net loss of $3.2 million for Q2 2024. The 10% increase in net loss was mostly attributed to the noncash stock-based compensation charge for restricted stock and onetime compensation expenses that were not in that -- in the comparative period, offset by an increase in revenues generated by Duos Energy through the AMA with New APR, as described above.

For the six months ended 2025, net loss totaled $5.6 million, or negative $0.48 per share, compared to a net loss of $5.96 million, or negative $0.81 per share, in the same period last year. The 6% decrease in net loss was mostly attributed to the increase in revenues generated by Duos Energy through the asset management agreement with New APR, as described previously.

In our last call, I highlighted the substantial improvement in the company's balance sheet as of 12/31/2024 and 3/31/2025. In the second quarter, we have largely maintained that strength, notably shareholders' equity, which now stands at over $4.7 million. We ended the quarter with $3.81 million in cash and expected short-term liquidity.

As previously discussed, a significant asset for Duos is the equity investment in Sawgrass APR Holdings, now referred to as New APR Energy.

Our 5% holding in this business is currently valued at over $7.2 million and is expected to generate profits in future years as a profits interest structure. As Chuck will discuss, the tremendous progress that New APR is making will be additive in the short term through the AMA and in the longer term through the expected increase in valuation of our equity holding.

All of this is positive for Duos' future potential, and I look forward to updating you further in our earnings call later this year.

On the liability side, the company has traditionally operated with little to no debt, other than some minor financing contracts related to insurance or IT equipment. As a reminder, in 2024, we received $2.2 million in debt funding for our initial three EDCs, and were able to secure that for around 10% cost of capital, which is an attractive rate for a company of our size.

We also secured additional financing for a further three EDCs in the form of a master capital lease with a similar cost of capital and flexible payment terms, as we deploy these assets in preparation for the associated cash flows.

I'm pleased to announce that shortly after the quarter, we retired the remainder of the $2.2 million in debt funding.

Next, I would like to update you on our backlog and pipeline. With expected revenues for the management and operations of New APR Energy, expected deployments of our Edge Data Centers, and current and anticipated contracts in our Rail business, our current contracts in backlog represent more than $40 million in revenue with approximately $12.3 million or more of that projected to be recognized in 2025, plus, a further $5 million to $6 million in expected near-term awards and renewals.

During the last call, we confirmed annual revenue guidance, and I'm pleased to report that we are again maintaining that guidance where we expect to record between $28 million and $30 million in consolidated revenue from our three subsidiaries. I would further add that we are making good progress on moving the company toward profitability and expect that we will achieve that goal in Q4 of this year on an adjusted EBITDA basis.

This concludes my formal remarks and at this point, I will turn the call back to Chuck for his commentary.

Chuck Ferry
Thanks, Adrian. As you can see from Adrian's commentary, the business has made good progress since the beginning of the year. Let me add some additional details to my opening remarks.

With our Edge Data Center business, which we'll refer to as the EDC business going forward today, we have now fully commercialized our first EDC in Amarillo, Texas, which now allows us to confirm our financial assumptions around installation costs and recurring revenues.
Currently, we are simultaneously installing the next five EDCs in Victoria, Corpus Christi, Waco and Dumas, Texas. An additional four EDCs will come off the manufacturing line starting in mid-September and go straight into additional Texas sites. We have now ordered another five EDCs, along with backup generators, and expect to install those starting in November.

As you saw in our press release this morning, the expansion of our strategic partnership with FiberLight, a leading provider of high-capacity fiber optic networks nationally, has really helped us accelerate our commercial pipeline in Texas.

To reinforce the success of the EDC business, we will be adding more data center expertise to our staff, our management team and our Board of Directors in the coming two months.

Again, now that we have all the ingredients in place, commercial demand, capital and execution know-how, I fully expect to accelerate the Edge Data Center business as we have discussed, and more.

As Adrian and I discussed earlier, our asset management agreement with APR Energy has been outstanding this first six months. Our team has assisted APR in deploying approximately 550 megawatts in the six months since the deal closed. Watching our team install a 150-megawatt fast power plant in Mexico in 35 days flat was a reminder of the quality of the team we have assembled.

The team has also installed and is operating several large -- several turbines and a behind-the-meter solution for a large U.S.-based data center, where good technical lessons are being learned in this new emerging power environment. The overwhelming demand for behind-the-meter power for large U.S.-based data center operators is at an all-time high and expected to stay this way for some time.

As Adrian said, the AMA provides good recurring revenue in the near term, but the longer-term value of the 5% ownership stake in APR Energy is what investors should keep their eye on. The energy team is currently closing in on several longer-term data center deals that I expect will use all of APR's existing turbines and will likely trigger an effort to acquire additional megawatts to expand capacity and overall enterprise value.

As we have already alluded to, our Railcar Inspection Portal business has made relatively slow progress, but we are seeing a modest uptick in interest by our current customers and renewed interest from the Federal Rail Administration and labor unions. Both groups would like to see expanded use of this technology. That said, we are reassessing our strategy around this business line, and we'll share the way ahead to our investors at some future date.

In conclusion, our business is commercially and financially in a great position to take advantage of the super-hot demand coming from the data center computing gold rush. Our Edge Data Center and power lines of business are perfectly positioned with the right leadership and expanding pipeline and fully capitalized to accelerate our growth strategy.

As always, I want to thank our business partners, Board of Directors and our current shareholders for their continued support. I want to extend a special welcome and thanks to our newest shareholders who participated in the recent raise. The outlook for Duos looks very promising right now, and I'm excited to be able to lead it.

Thank you for listening, and we'll now open up the call for your questions. Operator, please provide the appropriate instructions.

Operator
Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press “*”, “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*”, “2” to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys. One moment please while we poll for questions.

Our first question comes from the line of Nico Sacchetti with RBC Wealth Management. Please proceed with your questions.

Nico Sacchetti
Yeah, hey, guys, congrats on the progress here. Just had a couple of questions. So can you give us what the fully diluted share count is, right now? So you executed on the 40 million secondary, but you also did another 12.5 million at the market. So can you give us an idea of what that number is now?

Adrian Goldfarb
Yes, I'm happy to answer that. It's exactly $25 million – that’s 25 million shares at this point.

Nico Sacchetti
So, that includes the convertible that's out there for like four, seven or more?

Adrian Goldfarb
Every single share that you can count, yes.

Chuck Ferry
Fully diluted, 25 million.

Nico Sacchetti
Okay. And then, can you give us an idea of what it looks like maybe on a per share basis for what this noncash stock-based comp was that you're referring to that kind of throws off the apples-to-apples comparison from a year ago?

Adrian Goldfarb
Yeah, basically, the noncash comp is about -- it's roughly about $1 million a quarter. I'm just looking at one of my analysts here just -- yeah, about $1 million to take $1 million, divide it by 25 million, that will give you the answer.

Nico Sacchetti
Okay. Would you ever consider posting a non-GAAP earnings number just with some of these moving parts here, just to try to make the situation a little bit more clear when we're trying to compare the year-over-year numbers?

Adrian Goldfarb
Sure, Nico, that's a very good question. So, traditionally, we have not used non-GAAP financials. We have talked about it. Sometimes, we will discuss them outside of formal financials. And part of the reason we haven't done it in the past is up until now, there wasn't really that much to report on, particularly recently. But also, there's more disclosure when you go into the -- when you put non-GAAP financials on. So yes, we will consider doing that in the future.

Nico Sacchetti
Are these the noncash items and the higher commission? I mean, are those truly a one-off, or are those something that you'd expect moving forward with what the new business looks like here?

Adrian Goldfarb
All right, so you have to divide it into two areas. There's the noncash--

Nico Sacchetti
--No, I just meant moving forward, are these items that you'll expect to be more frequent, or were these truly a one-off here?

Adrian Goldfarb
Yeah, that's what I was saying. So the commissions and bonuses related. It's really a timing issue were related to the APR deal, which was quite a complex deal. That is truly a onetime. There won't be any recurring on that.

Nico Sacchetti
Okay. So, you gave the cash at the end of the quarter. Can you give us what the actual cash is now with the ATM and the secondary here?

Adrian Goldfarb
Sure, it's just a hair under $40 million.

Nico Sacchetti
Forty; okay. And then, do you have anything left on the ATM now?

Adrian Goldfarb
The ATM is terminated, and we'll probably be putting a statement out on that in the next few days.

Nico Sacchetti
Okay. And then, Chuck, you talked about getting kind of some proof of concept here on what the recurring revenue picture looks like. Can you give us any information on like what an ARPU number will be on each one of these data centers? I mean, is it something that is uniform where there's a decent average to be working off?

I mean, obviously, what I'm trying to figure out here is just back of the napkin. You get 15 of these this year and then another 50 next year, what does the revenue and profitability picture look like off of that segment of the business?

Chuck Ferry
Yeah, all in, we spend around $1.2 million to $1.4 million to install a pod. That's all the way from getting it manufactured and getting it into the ground and lit up. Once that happens and it's fully commercialized, where we now have our first one now in Amarillo and five more going in now. We're expecting and we're seeing proof points now that each pod should earn around $350,000 and, potentially, as high as $500,000 on an annual basis. That's kind of the unit economics.

So again, the proof points we're seeing coming out of Amarillo that confirm our business case where, ultimately, we want to build out 150 or more of these. And so that was an important set of proof points for us that now allows us to be very confident about our go-forward projections.

Adrian Goldfarb
Yeah, Nico, also the free cash flow on those units after year one is expected to be around $300,000 per year.

Nico Sacchetti
Okay, so let's call it maybe $400,000, and change, annually, off of each one of these things. So maybe we're pushing high $20s to $30 million of revenue off of 65 of these. And then, I've heard this number 150 a few times. I mean, that's obviously not formal guidance, but the plan is to get 65 of these out, by the end of 2026. And then when you say 150, is that just kind of a, we'll call it, a multiyear time frame end goal? Is that the end goal? Is that a midpoint? I mean, just anything additional.

Chuck Ferry
Yeah, so our plan, this year, is to finish the year with 15 installed. The plan next year, by the end of next year, 2026, is to have at least 65 installed, by the end of that year. And then subsequent year, 18 months, we want to get ourselves up to 150. So one of the proof points that we're working through right now is we're simultaneously installing five of these, right this moment, and it's going pretty well.

So, I feel pretty confident. Right now, the commercial pipeline will absolutely support those numbers. What's most important for us, right now, is to prove to ourselves that we can execute five or six of these things at the same time, which we're doing right now. And that will actually facilitate that growth where we can actually execute to that and realize the financials that come off of that.

Nico Sacchetti
So, it wouldn't be outside the realm to say, by the midpoint of 2028-ish, that you've got 150 of these out in the fleet, maybe putting up $60 million in revenue, based off the metrics you've given me here?

Chuck Ferry
Yeah, I think that's very, very possible based on what we're seeing. And now that we have the capital on the balance sheet, we can do that, and we're moving to it now.

Nico Sacchetti
That was my next question, is with the sizable secondary here, you feel that's an appropriate level to at least get, let's say, the 65 up and cash flowing and then that sets the stage to build the next X amount of these. So it's not -- I guess I'm asking around the question of if you feel like you have an appropriate level of cash now, capital on the balance sheet to execute all the way through 150 of these by mid-2027.

Chuck Ferry
The answer is yes. I do not anticipate having to raise more equity capital. We have what we need right now to execute that plan, through 2026. Obviously, we'll use the capital that we raise, our own working capital that we're going to generate through the asset management agreement and other sources. And then once we get to that point, we're now capable of, if we want to taking additional capital down in the form of debt with the idea that we don't want to dilute our shareholders any further.

Nico Sacchetti
Sure. Okay. And just from a timing standpoint, so it's 1.2 to 1.4 to procure one of these things. And then, is it how many months or so to where it's delivered and actually up and running and cash flowing to you guys?

Chuck Ferry
Yeah, that's a good question. So, from the time we order an Edge Data Center, it takes us about 90 days to have it manufactured and delivered to the work site. And then once it's delivered to the work site, it takes us about two weeks to install it, so it's a fairly simple install for us. And then there's probably another month or two to fully commercialize it because we're bringing in multiple customers into that colocation facility. Both fiber and fiber providers and carriers, along with normal customers will take down each cabinet.

Adrian Goldfarb
I was just going to add to that. Just if you're going to model this out, they vary from -- sometimes you'll start with an anchor tenant. Typically, it's three to five cabinets. But we have other examples, one we're working on right now where, basically, the data center is full, day one.

Nico Sacchetti
And then from a revenue structure, so you own it as an asset on the balance sheet, and this is something that the customer is leasing from you? Or what does that look like?

Chuck Ferry
So, yeah. So basically, we own and operate the colocation facility so yes, it's an asset on the balance sheet. Customers basically lease cabinets or cabinet space where they install their servers and GPUs. And we're basically providing a hotel or colocation facility for various customers' IT equipment.

Nico Sacchetti
Okay, so it's truly a recurring revenue model, is it? Can you give me an idea of what a rough gross profit margin will be, once these things are up and running?

Adrian Goldfarb
Yes. It's typically the--

Nico Sacchetti
--Or basically, what the target would be? Sorry, yeah, go ahead.

Adrian Goldfarb
Yeah. No, absolutely. It's targeted at in the mid-70s, low to mid-70s for gross profit. And then the unit economics EBITDA is targeted to be in the kind of just above 50.

Nico Sacchetti
Okay, this has been extremely helpful. I've taken enough time. I really appreciate all the information here, guys. Best of luck to you.

Adrian Goldfarb
Thank you, Nico.

Chuck Ferry
Great questions, yeah.

Operator
Thank you. Our next question comes from the line of Richard Jackson with True North Financial. Please proceed with your questions.

Rick Jackson
Exciting development, fellows. Help me out here on the revenue you're reporting. If you own these data centers and you're paying for them, where is the revenue coming from? Who's -- help me out with that.

Chuck Ferry
So again, we obviously procure, own and then maintain this colocation facility. Each Edge Data Center acts as a colocation facility. Inside each data center, you have 15 large cabinets. And so, what happens is customers effectively come in and lease power, space, as well as cross connects in each of those cabinets. So in each of these things, you've got multiple customers.

It includes carriers, people like Verizon, AT&T, FiberLight that are bringing the actual connectivity to the colocation facility. And then you have additional customers in our case, where we have like Region 16 has cabinets in there, Amazon Web Services has space in there, and then other similar type customers from that community are inside that data center, basically all paying rent, and that's where we make those recurring revenues.

Rick Jackson
Okay. So, I want to make sure I'm doing the math here right. So, when you say you reported $5.8 million, and let's leave the railroad business to the side, unless I shouldn't, you're collecting -- let's just say collecting about -- how many you have up and running now, seven, eight, five?

Chuck Ferry
No, we currently have one Edge Data Center fully installed, and its just begun producing revenue. So, the large majority of our revenue, and you'll see it in the transcript, the largest majority of our revenue is coming from the asset management agreement, where we're providing those services to APR Energy. As we begin to finish additional installs and that recurring revenue will build over time. Hopefully, I got that right.

Rick Jackson
I'm saying, inside of my head, you guys are burning about $1.3 million to generate $300,000 to $500,000, annually. Is that about right? You spend about 2.5x in annual revenue?

Adrian Goldfarb
You're speaking about the Edge Data Center. So the loaded cost of putting an Edge Data Center in, initially, was about $1.4 million. Now we -- that was the first one that we did. We've now rationalized and gotten some economies of scale on that. So that number is probably going to drop a little bit, maybe to $1.2 million. And yes, you're going to generate, on that first year, about $300,000 to $400,000, depending on whether they're full to start with or whether you're ramping them up, and so forth.

The question is, though, after that first year, typically, these things are on very, very long-term contracts. Five years is very typical with 5-year extension. And in some cases, where the carrier is involved, you're talking about 10 years. So after that, you've already spent the money. The G&A is very low. It's a relatively inexpensive business to run. And so, you're generating about $300,000 in free cash, every year thereafter.

Rick Jackson
Okay. So, the way I'm envisioning this, and tell me if I'm saying it the wrong way, is that when you guys have 65 of these, you should be generating, ballpark, $20 million in recurring annual revenue?

Adrian Goldfarb
Correct. Maybe more than that.

Rick Jackson
Okay. Okay. Wonderful. Now, to meet your forecast for the year, I'm assuming you're going to have to do at least one quarter over $10 million, out of the next two. How much more does the SG&A go up to generate, to almost double your revenue? You got a metric we can use for that?

Adrian Goldfarb
Yeah, it doesn't. In fact, the SG&A is going to be flat. We're pretty much staffed at the level we need to be. As I mentioned in my part of the script, we are looking actually at SG&A expenses, right now. There are some areas of -- and I'll just take the Rail business. There's some areas of the Rail business where there's probably some economies that we're going to be implementing there. We're at a different stage with that business, and we're really harvesting at that point. The Edge Data Center business will add a little bit of resource there. But in general, we're pretty well set for that.

And then as far as the asset management business is concerned with APR, we are completely staffed with that, right now. And then, effectively, we are basically generating revenue off of that and then we put our margin on top of that. So no, I'm not expecting any increase in the overall SG&A.

As I mentioned and this was to the previous call as well, we had -- in this particular quarter, we had some onetime charges that related to the deal back from the end of last year. So we'll -- if you subtract out about $1 million off the SG&A, that's kind of where we are right now on a recurring basis, maybe a little bit, subtract a little bit more.

Rick Jackson
All right, tally ho. Thanks for the help.

Adrian Goldfarb
Thank you.

Chuck Ferry
Thank you.

Operator
Thank you. And our last question comes from the line of Ed Woo with Ascendiant Capital Markets LLC. Please proceed with your question.

Ed Woo
Yeah, congratulations on all your progress. I saw that you recently had a power deal in Mexico. Can you talk about possibly expanding either the Edge Data Centers or the power opportunity into either North America or international? Thank you.

Chuck Ferry
Yeah, so very briefly, so APR won a deal to put 150 megawatts, which is six of our mobile gas turbines and balance of plant into Northern Mexico for a relatively short-term contract, but an extremely healthy price. Obviously, through the asset management agreement, our team executed that and it went very well for us. We are, currently, putting additional power gas turbines into U.S. data centers on some other short-term contracts.

So, we are already in the United States, Ed, deploying some of those power assets here in the U.S. for larger big box data centers with behind-the-meter power solutions. Again, this is something relatively new in the market space, so everyone is learning how to do -- all the data center developers are learning about behind-the-meter power, but they're liking what they see so far.

There are applications with our Edge Data Center business for smaller behind-the-meter blocks of power. We haven't really gone down that pathway yet but I think probably in the next few months, we may take a look at that. But it is certainly a part of the business that could emerge here, over the next few months.

Ed Woo
And is this opportunity, meaning, you may do more business in Mexico or Canada, or possibly globally?

Chuck Ferry
Yeah, so APR is a business, and I ran that business before, that did most of our work, internationally. I think this time, we are primarily focused on the United States and U.S. data centers, but we will opportunistically do jobs in Mexico. Canada is not a bad jurisdiction, either.

We are currently looking at one opportunity that's in Puerto Rico. But many of the -- APR used to operate in some very, I'll say, spicy jurisdictions. It's our plan to focus on very nice, less risky jurisdictions. Right now, the demand doesn't need us. Based on the demand here in the United States, we're not going to have to go to those type of locations. But we're always willing to look at them, opportunistically, if it makes sense.

Ed Woo
Great, well, thank you, and I wish you guys good luck. Thank you.

Chuck Ferry
Thank you, Ed. So at this time, we'd like to conclude our question-and-answer. I'll turn it back to you, moderator.

Operator
Thank you. Before we conclude today's call, I would like to provide Duos' safe harbor statement that includes important cautions regarding forward-looking statements made during this call.

This earnings call contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminologies such as believes, expects, may, will, should, anticipates, plans and their opposites or similar expressions are intended to identify forward-looking statements.

We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based and could cause Duos Technologies Group Inc.'s actual results to differ, materially, from those anticipated by the forward-looking statements.

These risks and uncertainties include, but are not limited to, those described in Item 1A in Duos' annual report on Form 10-K, which is expressly incorporated herein by reference and other factors as may periodically be described in Duos' filings with the SEC.

Thank you for joining us today for Duos Technologies Group's Second Quarter 2025 Earnings Call. You may now disconnect.