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): November 13, 2019

Duos Technologies Group, Inc.
(Exact name of registrant as specified in its charter)

Florida	**000-55497**	**65-0493217**
(State or Other Jurisdiction of Incorporation)	*(Commission File Number)*	*(I.R.S. Employer Identification No.)*

6622 Southpoint Drive S., Suite 310
Jacksonville, Florida 32216
(Address of Principal Executive Office) (Zip Code)

(904) 652-1601
(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))

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 checkmark 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. ☐

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

Item 2.02 Results of Operations and Financial Condition

On November 13, 2019, Duos Technologies Group, Inc. (the "Company") issued a press release announcing the financial and operating results of the Company for the quarter ended September 30, 2019. The text of the press release is furnished as Exhibit 99.1 and incorporated herein by reference.

Additionally, on November 13, 2019, the Company held an earnings phone call open to the public (the "Earnings Call"). Mr. Gianni B. Arcaini, Chairman of the Company's Board of Directors and 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 ended September 30, 2019 as well as the Company's guidance for fiscal year 2019 and preliminary guidance for fiscal year 2020. The script for the Earnings Call is furnished hereto 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.

Cautionary Note Regarding Forward-Looking Statements

This Current Report on Form 8-K includes information that may constitute forward-looking statements. These forward-looking statements are based on the Company's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to the Company. By their nature, forward-looking statements address matters that are subject to risks and uncertainties. Forward looking statements include, without limitation, statements relating to projected industry growth rates, the Company's current growth rates and the Company's present and future cash flow position. A variety of factors could cause actual events and results, as well as the Company's expectations, to differ materially from those expressed in or contemplated by the forward-looking statements. Risk factors affecting the Company are discussed in detail in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by applicable securities laws.

The information in Item 2.02 and Item 7.01 to 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 script of the Earnings Call can also be found on our website at https://duostechnologies.com.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibit
99.1	Press Release dated November 13, 2019
99.2	Script of Earnings Call with Mr. Gianni B. Arcaini and Mr. Adrian G. Goldfarb, dated November 13, 2019

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: November 18, 2019

By: /s/ *Adrian Goldfarb*
Adrian Goldfarb
Chief Financial Officer

EXHIBIT 99.1

duostech

FOR IMMEDIATE RELEASE

Duos Technologies Group Reports Third Quarter and Nine Month 2019 Results

Company Achieves Sequential Quarterly Growth; Expanded Implementation Capacity and Fourth Quarter Visibility Both Support Updated Full-Year Guidance and Initial 2020 Growth Projections

Jacksonville, FL/ Accesswire / November 13, 2019 - Duos Technologies Group, Inc. ("Duos" or the "Company") (OTCQX: DUOT), a provider of intelligent security analytical technology solutions, reported financial results for the third quarter and nine months ended September 30, 2019.

Third Quarter 2019 and Recent Operational Highlights

- Awarded $1.8 million contract with a Class 1 freight railroad for the implementation of a turn-key Rail Inspection Portal (rip®), installation of which is expected to be completed prior to the end of 2019.
- Awarded an expanded, five-year, $1.0 million, recurring revenue-based contract with another Class 1 freight railroad to provide an initial library of Artificial Intelligence ("AI") based algorithms, which will analyze images from the Company's rail inspection portal (rip®) for maintenance inspection of the customer's railcars.
- Awarded $2.3 million contract with an additional Class 1 freight railroad for the turn-key delivery of the Company's latest version of its Rail Inspection Portal (rip®).
- Received a purchase order from Chicago Metra to install an automated pantograph inspection system (apis®) spanning four tracks that will capture high-resolution digital video imagery of critical pantographs.
- Company's new AI and deep learning-focused subsidiary TrueVue360™ has fully staffed and onboarded its development team and has met its goal of completing the development of a state-of-the-art AI platform. The Company has already recognized initial revenue from this business in the second half of 2019 and expects significant growth in 2020.

- Expected strong fourth quarter revenue with full-year guidance of between $13.5 and $14M

Third Quarter 2019 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 decreased 57% to $2.20 million compared to $5.10 million in the same quarterly period last year due to several shifts in timing of projects dictated by customer construction delays. While these delays impacted the projects revenue portion for the quarter, they are not expected to have a material impact for the full year 2019.

Gross profit decreased 56% to $1.03 million (47% of total revenue) compared to $2.33 million (46% of total revenue) in the same quarterly period last year. The decrease in gross profit was mainly the result of the lower revenues previously described. The increase in gross profit as a percentage of revenue was driven by more efficient product delivery and enhanced operational capacity.

Operating expenses increased 27% to $2.15 million from $1.69 million in the same quarterly period last year. Selling and marketing expenses increased in line with the Company's investment in resources to support growth. The measurable increase in salaries, wages and contract labor during the period was the result of additional research and development staff related to TrueVue360, as well as implementation resources needed to service an anticipated larger order book. Other general and administrative costs were higher as the result of additional business and non-project related travel.

Net loss totaled $1.13 million, a decrease from net income of $633,000 in the same quarter a year-ago. The net loss was primarily attributable to a decrease in project revenues previously mentioned and an increase in staffing.

Nine Month 2019 Financial Results

Total revenue decreased 17% to $7.90 million compared to $9.49 million in the same period last year. The decrease in total revenue reflected delays in contract executions for two large new projects and the effects of such delays. Since the Company expects these contracts to be implemented in 2019, it began acquiring certain components ahead of the contracts in order to ensure no material impacts to expected revenues for the year. The company is currently executing these projects in the fourth quarter.

Gross profit decreased 18% to $3.33 million (42.2% of total revenue) compared to $4.06 million (42.8% of total revenue) in the same period last year. The decrease in gross profit was the result of lower revenues recorded during the period. Gross profit as a percentage of revenue remained stable for the period and broadly comparable with the same period in the prior year.

Operating expenses increased 33% to $6.36 million compared to $4.80 million in the same period last year. Selling and marketing expenses increased in-line with the Company's plans growth plan. The increase in salaries, wages and contract labor was higher during the period due to an increased number of employees and additional contract expenses, related to an overall expected increase in revenues. These increases are also a result of an increasing investment in the Company's TrueVue360 subsidiary. Research and development expenses, excluding personnel, decreased for the period. Other G&A costs were in-line with the additional staff expenses and the growth of the Company.

Net loss totaled $3.04 million, an increase from net loss of $745,000 in the same period a year-ago. The increase in net loss was primarily attributable to the significant investment in the Company's new subsidiary TrueVue360 and the decrease in project revenues previously mentioned.

Financial Outlook

For the fiscal year ending December 31, 2019, the Company now expects total revenue to be between $13.5 million and $14.0 million, which would represent an approximate 13% to 17% increase over the $12.0 million recorded in 2018. The Company's guidance is based on contracts in backlog and near-term pending orders that are already performing or scheduled to be executed during the fourth quarter of 2019. Management is also issuing preliminary revenue guidance for 2020 of $20.0 million.

Management Commentary

"In the third quarter we made continued progress in our product development roadmap and generated sequentially improved financial results as well," said Duos Chairman and CEO Gianni Arcaini. "While we experienced some delays in contract awards and implementations due to customer scheduling, we generated a solid book of new business in the quarter, highlighted by two multi-million-dollar projects, as well as, our first deal for TrueVue360, our wholly owned subsidiary for developing artificial intelligence technology. With our comprehensive AI platform now completed, we will be able to expand our market reach well beyond the rail space and target several verticals that are heavily incorporating artificial intelligence applications into their operations. Effective January 2020, our plan includes expansion of our business development team dedicated to our AI program. Additionally, our rail-centric AI applications are rapidly growing and are generating increased interest from many of our current rail customers.

At the same time, while continuing to focus on generating sales within our project-based core operations, we are working to build steadier revenue streams in adjacent areas, which should begin to translate into a meaningful financial contribution to the Company beginning in the new year. With the increased staffing and operating capacity we now have in place, Duos is fully capable, and ready, to convert our existing backlog and near-term contracts to recognize significant additional revenue this calendar year. Looking ahead, we are increasingly confident in our ability to meet our updated financial targets and initial projections for 2020."

Conference Call

The Company’s management will host a conference call today, Wednesday, August 14, 2019 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: Wednesday, November 13, 2019
Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)
U.S. dial-in: (888) 339-2688
International dial-in: (617) 847-3007
Passcode: 78703520

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. (OTCQX: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 press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," "plans," or similar expressions or the negative of these terms and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which 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.

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

	For the Three Months Ended September 30, 2019	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
REVENUES:				
Project	$ 1,921,306	$ 4,731,106	$ 6,954,062	$ 8,516,812
Maintenance and technical support	229,008	371,110	701,552	881,004
IT asset management services	48,087	—	240,673	92,386
Total Revenues	2,198,401	5,102,216	7,896,287	9,490,202
COST OF REVENUES:				
Project	984,805	2,684,785	4,045,448	5,079,455
Maintenance and technical support	158,785	89,077	420,451	300,593
IT asset management services	29,352	—	99,686	47,989
Total Cost of Revenues	1,172,942	2,773,862	4,565,585	5,428,037
GROSS PROFIT	1,025,459	2,328,354	3,330,702	4,062,165
OPERATING EXPENSES:				
Selling and marketing expenses	98,311	73,468	336,433	189,092
Salaries, wages and contract labor	1,438,608	1,072,029	4,045,689	3,153,138
Research and development	97,273	122,755	328,403	401,116
Professional fees	43,903	63,878	188,876	187,679
General and administrative expenses	479,265	359,991	1,465,918	864,969
Total Operating Expenses	2,157,360	1,692,121	6,365,319	4,795,994
INCOME (LOSS) FROM OPERATIONS	(1,131,901)	636,233	(3,034,617)	(733,829)
OTHER INCOME (EXPENSES):				
Interest Expense	(12,783)	(4,589)	(19,095)	(14,755)
Other income, net	615	981	4,021	3,742
Total Other Income (Expense)	(12,168)	(3,608)	(15,074)	(11,013)
NET INCOME (LOSS)	(1,144,069)	632,625	(3,049,691)	(744,842)
Net loss applicable to common stock	$ (1,144,069)	$ 632,625	$ (3,049,691)	$ (744,842)
Basic Net Income (Loss) Per Share	$ (0.04)	$ 0.03	$ (0.13)	$ (0.04)
Diluted Net Income (Loss) Per Share	$ (0.04)	$ 0.02	$ (0.13)	$ (0.04)
Weighted Average Shares-Basic	25,442,041	20,752,450	24,016,713	20,724,153
Weighted Average Shares-Diluted	25,442,041	26,412,450	24,016,713	20,724,153

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 767,339	$ 1,209,301
Accounts receivable, net	1,413,983	1,538,793
Contract assets	1,586,138	1,208,604
Prepaid expenses and other current assets	258,596	235,198
Total Current Assets	4,026,056	4,191,896
Property and equipment, net	323,111	204,226
Operating lease right of use asset	509,958	—
OTHER ASSETS:		
Software Development Costs, net	25,000	40,000
Patents and trademarks, net	61,440	53,871
Total Other Assets	86,440	93,871
TOTAL ASSETS	$ 4,945,565	$ 4,489,993
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 1,859,249	$ 1,416,716
Accounts payable - related parties	12,791	13,473
Notes payable - financing agreements	58,947	48,330
Notes payable - related parties, net of discounts	856,372	—
Notes payable, net of discounts	256,250	—
Line of credit	28,512	31,201
Payroll taxes payable	122,453	317,573
Accrued expenses	250,132	222,328
Current portion-finance lease payable	43,669	—
Current portion-operating lease obligations	241,000	—
Contract liabilities	1,107,742	2,248,829
Deferred revenue	489,062	362,528
Total Current Liabilities	5,326,179	4,660,978
Finance lease payable	48,408	—
Operating lease obligations	293,415	—
Total Liabilities	5,668,002	4,660,978
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' DEFICIT:		
Preferred stock: $0.001 par value, 10,000,000 authorized, 9,485,000 shares available to be designated		
Series A redeemable convertible cumulative preferred stock, $10 stated value per share, 500,000 shares designated; 0 issued and outstanding at September 30, 2019 and December 31, 2018, convertible into common stock at $6.30 per share	—	—
Series B convertible cumulative preferred stock, $1,000 stated value per share, 15,000 shares designated; 2,080 and 2,830 issued and outstanding at September 30, 2019 and December 31, 2018, convertible into common stock at $0.50 per share	2,080,000	2,830,000
Common stock: $0.001 par value; 500,000,000 shares authorized, 26,964,988 and 21,082,351 shares issued, 26,946,459 and 21,075,958 shares outstanding at September 30, 2019 and December 31, 2018, respectively	26,965	21,082
Additional paid-in capital	30,647,574	27,397,225
Total stock & paid-in-capital	32,754,539	30,248,307
Accumulated deficit	(33,319,524)	(30,269,833)
Sub-total	(564,985)	(21,526)
Less: Treasury stock (18,529 and 6,393 shares of common stock at September 30, 2019 and December 31, 2018, respectively)	(157,452)	(149,459)
Total Stockholders' Deficit	(722,437)	(170,985)
Total Liabilities and Stockholders' Deficit	$ 4,945,565	$ 4,489,993

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

	For the Nine Months Ended September 30, 2019	2018
Cash from operating activities:		
Net loss	$ (3,049,691)	$ (744,842)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	136,108	71,318
Stock based compensation	35,017	403,070
Interest expense related to debt discounts	9,401	—
Changes in assets and liabilities:		
Accounts receivable	124,810	(1,093,143)
Contract assets	379,136	76,228
Prepaid expenses and other current assets	(562,263)	58,934
Operating lease right of use asset	(509,958)	—
Accounts payable	461,701	168,692
Related payable-related party	(682)	875
Payroll taxes payable	(195,120)	50,671
Accrued expenses	27,804	17,523
Operating lease obligation	534,415	—
Contract liabilities	(1,141,088)	1,057,747
Deferred revenue	126,534	(159,532)
Net cash used in operating activities	(3,623,876)	(92,459)
Cash flows from investing activities:		
Software development costs	—	(60,000)
Purchase of patents/trademarks	(11,595)	(5,500)
Purchase of fixed assets	(133,039)	(157,804)
Net cash used in investing activities	(144,634)	(223,304)
Cash flows from financing activities:		
Repurchase of common stock	(7,993)	—
Repayments of line of credit	(2,689)	(2,997)
Repayments of related party notes	(80,000)	(48,215)
Issuance cost	(10,000)	—
Repayments of insurance and equipment financing	(207,187)	(197,792)
Payments of financial lease	(10,851)	—
Proceeds from notes payable-related parties	1,080,000	—
Proceeds from notes payable	250,000	—
Proceeds from warrants exercised	2,315,268	195,000
Net cash provided by (used in) financing activities	3,326,548	(54,004)
Net decrease in cash	(441,962)	(369,767)
Cash, beginning of period	1,209,301	1,941,818
Cash, end of period	767,339	1,572,051
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 5,728	$ 7,411
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	$ 19,167	$ 73,708
Note issued for financing of insurance premiums	$ 217,804	$ 217,173
Debt discount on Notes issued	$ 12,500	$ —
Note issued for equipment financing lease	$ 102,928	$ —

EXHIBIT 99.2

Transcriber's name: Maria J.

Transcriber's Notes:
(Any difficulties experienced, accents and general comments)

- Mr. Arcaini's line is muffled at times.

Please find attached your transcript for the above referenced conference call.

Whilst every effort is made to ensure that the attached transcript is an accurate record of your taped conference call, sometimes difficulties are encountered in understanding technical words, people speaking with a foreign accent and in some cases when somebody is speaking from a crowded room with a lot of background noise and from mobile phones.

Where we have had difficulty understanding words we have indicated this as *[indiscernible],* or simply attempted to spell the word phonetically but follow it with [ph].

Additionally, please note, whilst we try to be as accurate as possible when inserting the names of speakers we would suggest that they are checked.

START OF RECORDING

Attendance List: Gianni Arcaini - Chairman, President, CEO
Adrian Goldfarb - EVP, Chief Financial Officer, Director

Title of Meeting: Q3 2019 Earnings Call

Hosted By: Gianni Arcaini

Coordinator Good afternoon. Welcome to Duos Technologies' Third Quarter 2019 Earnings Conference Call. Joining us for today's call are Duos' Chairman and CEO Gianni Arcaini and CFO Adrian Goldfarb. Following their remarks, we will open the call for your questions. Then, before we come to today's call, I will provide the necessary cautions regarding the forward-looking statements made by management during this call.

Now, I would like to turn the call over to Duos' Chairman and CEO, Gianni Arcaini. Sir, please proceed.

G. Arcaini Thank you, Roberta. Welcome, everybody, and thank you for joining us. Earlier today, we issued a press release announcing our financial results for the third quarter of 2019, as well as other operational highlights. A copy of the release, by the way, is available in the investor relations section of our website. I plan to provide additional commentary on our results shortly.

Before we begin with the discussion of our results, I'd like to take a few minutes, as I always do, to provide a brief overview of who we are and what we do, particularly for those who have not been familiar with our company in the past. At Duos, we provide advanced analytical technology solutions with a strong portfolio of intellectual property. In simple terms, we create highly sophisticated technology solutions for our wide range of customers. We focus on improving their business processes to ultimately provide a measureable return on investment. To that end, we have and completely developed a broad range of proprietary technologies, which we typically deploy as turnkey systems.

These advanced tools include machine learning and other forms of artificial intelligence, as well as advanced data analytics that we deliver through a combination of our image and data-capture technology suite, which includes backend processing and middleware-branded as Praesidium, and our customer-facing software platform branded as Centraco.

Our chief focus is our mission critical security, inspections and operation applications. Our target markets predominantly include the rail transportation, retail distribution, critical infrastructure security and the law enforcement sectors. We estimate that the total adjustable market opportunity combined with core project markets exceeds $100 billion and it is through our strength in our technology development. One major differentiator is that our technologies do not require any change in our customer's business practices.

A significant aspect of our core platforms is the adaptability to various verticals requiring very little adjustments to our code and system architecture. Our long-term market strategy is to be increasingly diversified and set up to address critical and cyclical market segment volatility.

We will be discussing our results for the quarter in nine months shortly; however, I want to stress that historically our business has been, and for the moment continues to be, subject to shifts in timing, particularly our quarterly numbers. The results of any one period should be viewed in context of our cumulative performance. Due to this manner, we are continuing to execute on our long-term business plan to deliver strong growth and ultimately sustain profitability.

Since becoming a public company in 2015, we set out a long-term strategy to not only focus on business in growth markets, but also build a sustainable, competitive advantage as an advanced technology business. A key element of that plan is to generate growth in an increasing percentage of our business coming from recurring revenues.

I am pleased to say that we are on target with our plan, as will be clear when we update our progress for the TrueVue 360 subsidiary shortly. While our revenues will continue to fluctuate between products for the time being, we believe that these valuations will become less pronounced as we grow over the next 24 to 36 months, on our way to building a much larger business.

At the beginning of the first quarter of 2019, we launched TrueVue 360, a subsidiary whose mission is to develop, market and operate our artificial intelligence and machine learning programs. TrueVue 360 will not only serve our current customers, but also pursue many AI opportunities in other verticals. We began investing and developing resources of TrueVue 360 during the fourth quarter of 2018 and completed our staffing goals by the end of February. As I mentioned in our previous call, as of the end of the second quarter of this year, TrueVue 360 was fully operational, and has launched its subscription-based model into the market. I'm excited to report that TrueVue 360 has completed the development of our comprehensive AI platform, which allows us to operate independently from any third parties, which is consistent with our strategic plan.

The next item on our product development roadmap, by the end of the year, we are going to fully migrate our operations from our current third-party platform provider to the TrueVue 360 platform. That process has progressed rapidly, and we are in good position to get everything finalised prior to the yearend.

Looking ahead, there's significant potential for licensing our AI models within our current customer base and the adjacent verticals. We are expecting to benefit from the added revenue, predictability and higher margins that come from the subscription-based model. In Q3, we announced our first major contract and expect to begin recognising initial revenues from our TrueVue 360 operations beginning in 2020. Long term, we expect TrueVue 360 to contribute significantly to our recurring revenue base over time.

I would also like to point out that we have built a very strong team of data scientists, software development and AI professionals. The investment that we have, and will continue to make, in our TrueVue 360 subsidiary is included in our consolidated financial statements.

The completion of our compliance [ph] with the AI platform will allow us to expand our market reach while we [indiscernible - 36:56] rail space and target several verticals to exponentially incorporate artificial intelligence applications into their operations. Effective January 2020, our plan includes expansion of our business development team dedicated to our AI program. We are also excited to report that our rail-centric AI applications are rapidly growing and are gaining increased demand by all our rail customers. Given the significance to the industry, we will announce specific achievements of our AI program in separate communications.

On the HR side of things, we are also in the process of filling a senior business developer role within TrueVue 360. The rationale to fulfill this newly created position, I should also reiterate that the talent pool available for hiring in today's market continues to be very tight, specifically for areas in which we are looking. The investment in our talent pool continues to be a central part of our company's financial plan. As of today, our total headcount includes 78 employees domestically, plus 11 full-time contractors overseas. Our staffing is now in line with current opportunities, but we will continue to evaluate both headcount and skill sets as our business grows in 2020 and beyond.

With that overview now complete, I'd like to provide a brief summary of our results. In the third quarter, we took additional steps in the right direction generating sequential growth over Q2 and finalising a number of significant contracts in the rail segment of our business. All of that said, our results in Q3, still some of the lingering effects from the continued project-based delays I spent a great deal of time discussing in our previous call. We now have good fourth quarter visibility for our full-year guidance projections. We will also be giving guidance for 2020.

As we have mentioned many times before, and as I alluded to a moment ago, the majority of our current revenue comes from our project-based business. As such, we believe that the proper way to view our growth and progress is through a 12- to 18-month lens at a minimum. That said, as a public company, we are faced with the reality that our performance has to be reported based on 90-day windows that are not an accurate reflection of our sales pipeline, operating capability and growth prospects.

While we continue to believe that the rail industry presents a significant growth opportunity for Duos, we have spent the better part of the past year looking at new ways to reduce our susceptibility to the vagaries of the market. Our efforts within TrueVue 360 represents the first major step in reducing our dependency on project-based revenue volatilities. In 2019, we set in place a strategy to have our revenues become more consistent between products. Currently, we receive about 10% of our overall revenues from recurring revenue sources, primarily service and tech support. As we continue to deploy our systems in the rail business and other markets, our plan is to increase the percentage of overall revenue from 10% to 20% and expect to complete this transition over the next 24 months.

On the plus side, while the past few quarters have been impacted by this lumpiness, there are also quarters where we benefit from the upside scenario. We expect the fourth quarter of this year to be one of those instances.

As I mentioned last quarter, while our additional headcount increases contributed to great operating expenses in the quarter, when compared to the revenues we recorded, having that team now in place, and accounting for the operating capacity they now provide, gives us a great degree of confidence in our ability to execute major projects, concurrently and in shorter time spans. With our current backlog and the visibility, we have traditional agreements in the last few months of the year. We're anticipating a significant growth in revenue going forward.

At this point, I would like to turn the call over to our CFO Adrian Goldfarb, who will walk us through the financial results for the third quarter. After Adrian's presentation, I will further discuss our recent progress during the quarter before finishing with a brief update, and our outlook for 2019 and 2020. Adrian?

A. Goldfarb: Thank you, Gianni. On previous calls, I have discussed how the majority of our revenue is recognised, and our adoption of ASC 606 at the beginning of last year. Comparisons of each quarter are now on the same accounting basis. It should also be noted that the financial results I'll be discussing represent the consolidation of the company with its subsidiaries, Duos Technologies, Inc. and TrueVue 360, Inc. All of our investments in the new AI subsidiary are incorporated in the company's operating expenses.

As I've also discussed in previous calls, our revenue recognition policy is based on the principles of ASC 606 using the input method. Although ASC 606 was not a factor during this quarter, our results can vary substantially between measurement periods, and are highly dependent on the stages of completion of our project business. This will become less pronounced as the business grows, our revenues are spread between a greater number of projects and recurring revenue portion of our business becomes more meaningful.

Now, turning to our financial results for the third quarter and first nine months of 2019. Total revenue for the third quarter decreased 57% to $2.2 million compared to $5.1 million in the equivalent quarter in 2018 due to slower than anticipated contract awards from two customers pending resolution of certain terms and conditions. These orders have now been received.

However, additional execution delays from one customer in the projects portion of our business continued to have an impact albeit to a lesser degree than previously envisioned. Although these delays may impact the project revenue portion of our business, the net effect is that they are not expected to have any material impact for the full year. We are continuing to make improvements in our project build and delivery process, largely as a result of the investment in the establishment of the engineering and operation center in 2018, which has shortened delivery times on major projects.

Total revenue for the first nine months of 2019 decreased 17% to $7.9 million compared to $9.49 million in the equivalent year ago period. The decrease in total revenue reflects unanticipated delays in contract executions for two large new projects and the effect of such delays. Since we expected these contracts to be signed in 2019, we took the decision to begin acquiring certain components ahead of the contract in order ensure no material impacts to expected revenues for this year.

Maintenance and technical support revenues were low in the quarter and nine-month period as a result of new maintenance contracts being delayed in line with the delays in implementation. The renewals of existing contracts have somewhat offset this impact, and we believe that a shift to the next generation of technology systems which are currently being installed will have a positive impact going forward. The maintenance and technical support revenues are driven by successful completion on projects, and represent services and support for those installations. We expect to continue our growth with a new long-term recurring revenue from our customers, which will be coming online in the next several months.

Gross profit was $1.03 million or 47% of revenues for the current quarter, which was a decrease of 56% from the $2.33 million or 46% of revenues for the equivalent quarter in 2018. The decrease in gross profit was driven by lower revenues recorded during the period. However, gross profit as a percentage of revenue increased during the same timeframe. Going forward, we anticipate that overall gross margins for the full year to be close to historical norms and continue to improve.

Gross profit for the first nine months of 2019 was $3.33 million or 42% of revenues, a decrease of 18% compared to $4.06 million or 43% of revenues for the first nine months of 2018. The decrease in gross profit was, again, a result of lower revenues recorded during the period. Gross profit, as a percentage of revenue, has remained stable for the period, and broadly comparable with the same period in the prior year.

Turning to our cost. Operating expenses increased 27% in Q3 2019 to $2.15 million from $1.69 million in the same quarterly period last year, reflecting an increase in resources related to our anticipated growth. Selling and marketing expenses increased in line with our investment in resources to support that growth. The measurable increase in salaries, wages and contract labor during the period is as a result of an anticipated larger order book and also reflects increased spending on research and development staff for our TrueVue 360 subsidiary. We are also continuing to invest in staff resources to ensure timely execution.

Professional fees were also minimal for the period due to the fact that we are not engaged in any significant activities related to fund raising or other activities outside of the normal course of business. Other G&A costs were higher as a result of additional business and non-project-related travel.

For the first nine months of 2019, operating expenses increased 33% to $6.36 million from $4.8 million in the same period last year, again reflecting the increase in resources related to anticipated new contracts and investments in research and development staffing. Selling and marketing expenses increased significantly in line with the company’s plans to grow the business. The increase in salaries, wages and contract labor was higher during the period due to an increased number of employees, and additional contract expenses related to an overall expected increase in revenues. These increases are also a result of an increased investment in the company’s TrueVue 360 subsidiary, specifically for R&D staffing. For the period, there were no revenues for TrueVue 360, although we are anticipating revenues going forward, some of which now appears in the backlog.

Research and development expenses, excluding personnel, decreased for the period. Professional fees were higher due to an increase in expenses related to legal fees with certain one-time expenses for the recent warrant execution and other expenses related to travel and a much larger workforce, including additional facilities.

Other G&A costs were in line with the additional staff expenses and the growth of the company. It is anticipated that going forward operating expenses will continue to grow at a slower rate than revenue increases.

We recorded a net loss in Q3 of $1.14 million or $0.04 loss per share compared to net income of $633,000 or $0.03 per share in the equivalent quarter in 2018. The net loss was primarily attributable to the increase in investment in our AI subsidiary with a decrease in project revenues for the period.

The nine-month period net loss was $3.05 million or $0.13 loss per share compared to a net loss of $745,000 or $0.04 per share in the same period a year ago. The increase in net loss was primarily attributable to the overall increase in staffing costs related to investment in TrueVue 360 together with increases in general and administrative costs and selling and marketing expenses for the period against lower overall revenue.

Let's now discuss the balance sheet. As of September 2019, our cash position remains stable. We ended the quarter with $767,000 in cash and cash equivalence, an improvement from the prior quarter. We also had net receivables of more than $1.4 million. For 2019, we have used $3.6 million in cash and operations due to the impact of the delays previously addressed. This has largely been offset by financing activities, including warrant executions and short-term debt, some of which already has been repaid.

It should be noted that these numbers include funding of our TrueVue 360 startup costs. With our improving order book and recent capital infusion from warrant executions and short-term debt, we have sufficient runway to execute on our business plan in 2019. We remain comfortable with our financial position and anticipate continuing improvements in our balance sheet going forward.

I would now like to discuss our outlook for the fiscal year ending December 31, 2019. In our previous call, we confirmed the guidance of 2019 of between $14 million and $15 million in revenue for the full year. As per my previous comments, we have experienced delays with contract execution and implementation with certain customers.

When the original guidance was given, we expected approximately $6 million in revenues from certain project implementations. Although some of this has now been delayed to 2020, I am pleased to report that given our results for the first nine months to date, as well as our visibility on new and current projects for the remainder of the year, we have secured new additional business that will allow us to achieve at or near our original guidance.

As such, we are revising our revenue guidance for the full year of 2019 to between $13.5 million and $14 million. It's worth remembering that our guidance is based on contracts that are in backlog and will be substantially executed by yearend. We are also anticipating additional orders from both new and existing customers, some of which may be implemented prior to the end of the fiscal year.

Finally, I am pleased to report that with solid increases in our backlog, pending contracts in pipeline, we are giving initial guidance of $20 million for revenue in 2020.

This completes my financial summary. I'd now like to turn the call back over to Gianni for additional insights into our recent operational progress, as well as our outlook for the remainder of 2019. Gianni?

G. Arcaini

Thank you, Adrian, and now I get to talk about the good stuff. I'd like to provide some key updates for the quarter, as well as expand on our outlook for the remainder of the year.

The first quarter of this year we formed a dedicated team of development engineers to focus specifically on expanding our existing technology roadmap. Since that time, I'm pleased to report we have already seen excellent initial traction with a handful of new technologies to be announced soon.

Our product development team is currently working on a number of technology upgrades and new technologies, which we plan to discuss at a later date. While we are, of course, focused on generating and accelerating new business, we remain dedicated to providing technology innovations and superior quality in our current products. Operationally, we are also still winning new business, as well as expanding our relationships with our existing blue chip customers.

First, as you may have seen from our press releases issued just a week ago, we were recently awarded a $1.8 million contract with a Class 1 freight railroad customer to implement a turnkey Rail Inspection Portal, or as we call it, a RIP. As mentioned in the press release, we expect installation of the system to be fully completed prior to the end of this year, allowing us to recognise substantially all of the revenue from this contract during this calendar year. The award includes a contract for tech support, as well as the development and maintenance of a significant library of AI algorithms.

Also within our rail business, back in August, we were awarded a $2.3 million contract with an existing Class 1 freight railroad customer to replace an earlier generation system with our latest generation [indiscernible - 53:57] technology. This award also includes provisions for five years of technical support.

Also in August, we were awarded an expanded contract with a current Class 1 railroad customer for the development and maintenance of an expanding library of artificial intelligence algorithms to increasingly automate this customer's inspection process. This contract has an initial value of approximately $1 million and will be recognised with $200,000 annually over the five-year life of the contract.

This award also provides for an initial library of AI-based algorithms for maintenance inspections of the customer's rail costs. Important to know about this deal is that the development of the models and applications, as well as hosting, will be undertaken by our TrueVue 360 subsidiary. This agreement represents the first of what we anticipate will be many additional recurring revenue-based agreements for TrueVue 360 as we build out our capabilities in this space for existing and new customers alike.

Moving to updates earlier in Q3, we received a purchase order to provide a multi-track Automated Pantograph Inspection System or called apis for Chicago Metra, which oversees all commuter rail operations in the 3,700 square mile northeastern Illinois region. For those of you less familiar with the pantograph technology, the pantograph technology is the mission critical component in the transit rail industry. Pantograph relay current from high voltage overhead electrical wires to power the train. The friction points to the high-voltage wire consists of a sacrificial carbon fiber strip, which is constantly inspected for visual damage in the form of cracks, chips or bends that could result in track down time if not timely identified and repaired.

We are currently in an advanced stage of developing a 3D version of this technology, which combined with our AI machine-learning algorithms will provide stakeholders with an early warning of degrading carbon fiber strips. By adding these preventive detection capabilities, transit operators are expected to be able to significantly reduce commuter traffic interruptions due to unscheduled downtime. I'm sure that some of you have experienced that every time.

We recently completed development of a car and truck version of an undercarriage inspection system. We were able to reduce manufacturing costs by over 50% compared to the next low-priced technology on the market. This undercarriage inspection technology will be deployed with a robust AI feature, which will be developed by our TrueVue 360 team.

Furthermore, our Track Intrusion Detection System has been rebranded as Track Aware [ph]. I am pleased to report that since deployment, our AI-based beta unit at the New York location, we have recorded nearly zero false positives. Furthermore, we are planning to distribute this solution through large camera manufacturers as an onboard system. Our TrueVue 360 business development team will be marketing this product starting in January of 2020.

Moving to a few other non-operational items worth sharing from the quarter. First, we also participated in some notable industry events during the quarter. As I said before, while these types of events don't contribute an immediate ROI for our business they have played a demonstrably critical and crucial role in creating additional awareness of our solutions in the marketplace.

Back in late September, we exhibited at the 59th Annual Railway Interchange 2019, which was held in Minneapolis, Minnesota. Exhibiting at the RSSI Conference was a great opportunity for Duos to raise our profile within the rail community and get our solutions in front of relevant industry personnel who understand the value of our technology hopes.

At the event we displayed the latest generation of our Rail Inspection Portal System, as well as one of our latest innovations, the Track Intrusion Detection System or Track Aware for short. Track Aware utilises advanced artificial intelligence to monitor transit facilities and right of way to detect and characterise the presence of people or objects on and around the track bed.

Now shifting to our outlook. Well into the final quarter for the year we are continuing to see strong, positive momentum building for new deals and finalised agreements. While Q3 was, again, impacted by some of the ongoing delays we have already mentioned, we still expect to recognise most, if not all, of those delayed revenues before the end of the year.

Based on our current opportunity pipeline and backlog, we remain confident in our ability to generate sequential growth again in Q4 with a potential strong finish for the year. More explicitly, as Adrian mentioned a minute ago, we fully expect to achieve our revised annual revenue projection and anticipate providing additional announcements in the coming weeks.

In summary, we are very excited and confident in both the near and long-term prospects for our business and we are looking forward to providing additional updates on our progress as we expect to close out the year on a high note.

With that, we are ready to open the call for questions. Operator, please provide the appropriate instructions.

Coordinator — Thank you, everyone. Your question-and-answer session will now begin. [Operator instructions]. Our first question will come from Ashok Kumar from Think Equity. Please proceed, your line is open.

A. Kumar — Thank you. Thank you, Gianni and Adrian. Just a follow-up to your earlier comment in terms of project-related revenue that tend to be non-linear over the course of the year. As I look into 2020, could you give some color in terms of the contribution from the asset management and AI, and potentially acquisitions that could give a more linear profile to the top line?

A related question also is given the opex forecast for '20, what do you think is going to be your breakeven profitability levels? Are we looking at high teens? What will be the timeline we get there? Thank you.

A. Goldfarb — Thank you, Ashok, this is Adrian. There's multiple parts, and I'll see if I can address each of the parts of the question. With respect to the business going forward in 2020, as we have described in quite some detail, the recurring revenue part of that business is going to be growing primarily through the AI piece of the business with TrueVue 360.

As I mentioned, I think, during my dialogue, that part is expected to grow over time to become about 20% of our total revenue in the next 24 months. So, you'll see some impact of that in 2020. There's nothing right now in that initial guidance, and please understand that is initial guidance for 2020. At the moment, we've not really put anything specifically in there in terms of the breakdown between our project business and also our AI businesses. That will come, as Gianni mentioned, in future announcements going forward.

With respect to the second part of your question, we are currently working on our forecast going forward. We have given, obviously, the initial guidance that's based on symmetrics that we provide each quarter in terms of our backlog, and our pending contracts and our pipeline. And so, that's based on—that we're anticipating plus [background noise - 63:44] that they're already being worked on.

We have not yet looked at in terms of what the contribution will be to that. However, we are going to be moving forward towards breakeven and profitability, obviously, as that revenue line grows.

A. Kumar You stated aggregate margins at 50%, and I assume you'll be able to sustain at those levels in calendar '20?

A. Goldfarb You're speaking about gross margins, correct, Ashok?

A. Kumar Yes, yes.

A. Goldfarb Traditionally, and we have a long history to bear this out, our business typically has produced around about a 50% or better gross margin. As I mentioned, it was in the beginning of my section, since the move to ASC 606, sometimes the way that revenues are measured from quarter to quarter don't always provide for that, and you could end up in a situation like we had last quarter where the expenses are much higher against the revenue you can actually record.

But over the year, this tends to smooth out. And, in fact, you can see that the overall gross margin reported in Q3 was around 47%, and it's been pretty stable. We expect that gross margin to continue to improve over time. And, in fact, it wouldn't be unusual to expect that to continue to increase as the recurring revenue portion of our business becomes a greater component of the overall revenue.

A. Kumar Thank you, Gianni and Adrian. All the best.

A. Goldfarb Thank you.

G. Arcaini Thanks.

Coordinator [Operator instructions] At this time, this concludes our question-and -answer session. I'd now like to turn the call back over to Mr. Arcaini for his closing remarks.

G. Arcaini Again, thank you for joining us today. I especially want to thank our employees, our partners, investors and our customers for their continued support. We're looking forward to an exciting 2020, and we will update you on our next call accordingly. Operator?

Coordinator Before we conclude today's call, I would like 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 terminology such as believes, expect, may, will, should, anticipates, plans, and their opposite or similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future preference 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 defer 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 10K, 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 2019 Third Quarter Earnings Conference Call. You may now disconnect.

[END OF CALL]