
**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 12, 2020

Duos Technologies Group, Inc.

(Exact name of registrant as specified in its charter)

Florida
*(State or Other Jurisdiction
of Incorporation)*

001-39227
*(Commission
File Number)*

65-0493217
*(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))

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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 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.

Item 2.02 Results of Operations and Financial Condition.

On November 12, 2020, 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, 2020. The text of the press release is furnished as Exhibit 99.1 and incorporated herein by reference.

Additionally, on November 12, 2020, 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 ended September 30, 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 12, 2020.
99.2	Script of Earnings Call with Mr. Chuck Ferry and Mr. Adrian G. Goldfarb, dated November 12, 2020

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 16, 2020

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

DUOS TECHNOLOGIES GROUP REPORTS THIRD QUARTER AND NINE MONTH 2020 RESULTS

NOVEMBER 12, 2020 4:05PM EST

JACKSONVILLE, FL / ACCESSWIRE / November 12, 2020 / Duos Technologies Group, Inc. ("Duos" or the "Company") (NASDAQ:DUOT), a provider of intelligent security analytical technology solutions, reported financial results for the third quarter and nine months ended September 30, 2020.

Third Quarter 2020 and Recent Operational Highlights

Awarded a new contract from existing customer CN, which includes complete North American service, support, maintenance and spare components sourcing for the seven (7) Railcar Inspection Portals (rip®) currently in operation at CN. The total contract will be recognized as recurring revenue through 2022.

Awarded an initial \$1.3 million contract by an existing Class 1 railroad customer to substantially expand the Company's current relationship and upgrade its scope of work at an existing Railcar Inspection Portal (rip®) for the purpose of instituting increased automated mechanical inspections. The contract will be executed over the next few months with completion expected before the end of the year and includes future payments through 2022 for recurring service, maintenance and spare parts components in addition to the base contract value.

Appointed experienced corporate executive and U.S. Army veteran Charles "Chuck" Ferry as Chief Executive Officer. Ferry brings extensive leadership experience in the energy and defense contracting industry as well as 26 years of active duty leadership experience in the U.S. Army. Prior to joining Duos, Ferry was the Chief Executive Officer for APR Energy, a global fast-track power company, where he had P&L responsibility for \$325 million in annual revenue and oversaw roughly 800 employees and 17 globally dispersed power plants.

Promoted Wm. "Scott" Carns to the newly created title of Chief Commercial Officer for the Company's wholly owned subsidiary, Duos Technologies. In this new role, Carns will be responsible for the development and execution of Duos' growth strategy and expansion, interfacing with Duos' major clients to develop and create solutions to meet their unique operational challenges.

Appointed IT and Energy industry veteran Ben Eiser as Chief Operating Officer for the Company's wholly owned subsidiary, Duos Technologies. Eiser joins Duos with 27 years of active duty military service and private-sector leadership, project and IT management experience. Prior to joining Duos, Eiser was the Vice President for Global Projects for APR Energy, where he led a project management team that oversaw the installation and demobilization of temporary power plants among other key functions.

Proposed election of Ed Harris to the Company's Board of Directors. As the former COO at Tier 1 rail operator CSX, Harris would bring more than 50 years of directly applicable industry experience.

Third Quarter 2020 Financial Results

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

Total revenue decreased 42% to \$1.28 million compared to \$2.20 million in the same quarterly period last year. The decrease in total revenue for the quarter was due to a decline in technology systems revenue as a result of a delay in receiving an order for a large project which was initially planned for execution during the third quarter of 2020 that will be substantially completed in the fourth quarter.

Gross profit decreased 71% to \$295,000 (23% of total revenue) compared to \$1.03 million (47% of total revenue) in the same quarterly period last year. The decrease in gross profit was due to the higher overall cost of sales relative to revenue recorded during the quarter largely due to implementation delays.

Operating expenses increased 39% to \$3.00 million from \$2.16 million in the same quarterly period last year. The increase in operating expenses was primarily due to an increase in administration expenses, which was offset by decreases in sales and marketing, engineering, research and development, and AI technologies expenses. The increase in administration expenses was related to a one-time charge for payment in connection with the retirement of the Company's former CEO and Chairman.

Net loss totaled \$2.71 million, compared to net loss of \$1.14 million in the same quarter a year-ago. The increase in net loss was primarily attributable to the increase in administration expenses as noted previously.

Cash and cash equivalents at quarter-end totaled \$4.12 million, compared to \$56,000 at December 31, 2019.

Nine Month 2020 Financial Results

Total revenue decreased 46% to \$4.26 million from \$7.90 million in the same period last year. The decrease in total revenue was driven by slower than anticipated contract awards by a single customer, which will be recognized pending resolutions of certain terms and conditions. The current global pandemic has also impacted expected receipt of awards and caused delays in execution due to travel and other restrictions.

Gross profit decreased 66% to \$1.14 million (27% of total revenue) from \$3.33 million (42% of total revenue) in the same period last year. The decrease in gross profit was mainly the result of fixed costs related to maintaining a minimum staff to begin execution once orders were received, not being offset by sufficient revenues as had been anticipated earlier in the year.

Operating expenses increased 16% to \$7.36 million from \$6.37 million in the same period last year. The increase in operating expenses was primarily due to an increase in administration expenses and AI technologies expenses, which were offset by decreases in sales and marketing, engineering and research and development. The increase in administration expenses was related to a one-time charge for payment in connection with the retirement of the Company's former CEO and Chairman as noted previously. AI technologies costs were higher as the result of additional growth in this area and an increase in resources allocated from the research and development department. With development work for the Company's AI platform completed, costs in this area are expected to normalize going forward.

Net loss totaled \$6.32 million, compared to a net loss of \$3.05 million in the same period a year-ago. The greater net loss was primarily attributable to an overall decrease in revenue for the period as well as an increase in expenses as noted previously.

Financial Outlook

For the fiscal year ending December 31, 2020, the Company now expects total revenue to be between \$7.5 million and \$8.0 million. 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 2020. The Company's business is in the early stages of a recovery, and management has undertaken significant restructuring efforts beginning in Q4 to build revenues for both new systems and recurring revenue services. Management also expects that the current cash position will remain largely unchanged through the end of the fiscal year. Although uncertainties continue in the macro economic climate, management believes that 2021 will yield a much stronger financial performance for revenue and profitability. The Company plans to release guidance for 2021 in early January.

Management Commentary

"During the third quarter we experienced a moderate return to more normal business conditions and believe we have taken the first steps forward on the path to a new growth era at Duos," said Company Chief Executive Officer Chuck Ferry. "In my short time since coming on board, we've hit the ground running. The executive leadership team has conducted and concluded a thorough review of our operations and outlined a long-term strategic roadmap designed to accomplish the following goals: improve our go-to-market strategy through securing larger, higher-margin sales with a focus on recurring revenue, make our operations more efficient through better-quality delivery and performance-based incentives, improve communication, and decision-making through a simplified, horizontally-integrated corporate reorganization, and deliver sustained profitability through successful execution across a clearly defined set of goals."

"Though we were encouraged by the signing of two significant contracts this past quarter, we recognize that there is more work to be done and difficult decisions ahead to position our Company for long-term success. During the quarter we delayed delivery on certain key projects to ensure proper pre-shipping preparation was completed to standard, which impacted our results to a degree. We fully expect to recognize these project revenues in Q4, but we are committed to quality and safety above all else, which, over time, should allow us to command premium pricing and reduce maintenance and repair expenses post-installation. We have an excellent pipeline of opportunities with our existing rail and logistics customers that we expect will drive much improved financial results for 2021. I remain excited by the tremendous opportunity we have before us at Duos and believe we have the team, technology, and resources necessary to capture a greater share of the North American rail market."

Conference Call

The Company's management will host a conference call today, Thursday, November 12, 2020 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, November 12, 2020

Time: 4:30 p.m. Eastern time (1:30 p.m. Pacific time)

U.S. dial-in: (877) 407-3088

International dial-in: +1 (201) 389-0927

Confirmation: 13712203

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.

About Duos Technologies Group, Inc.

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

Forward Looking Statements

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

Contacts:

Corporate

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

	September 30,		September 30,	
	2020	2019	2020	2019
REVENUES:				
Technology systems	\$ 672,951	\$ 1,921,306	\$ 2,606,034	\$ 6,954,062
Technical support	502,502	229,008	1,229,813	701,552
Consulting services	50,216	48,087	184,685	240,673
AI technologies	56,280	-	234,504	-
Total Revenues	1,281,949	2,198,401	4,255,036	7,896,287
COST OF REVENUES:				
Technology systems	601,814	984,805	2,080,872	4,045,448
Technical support	333,721	158,785	802,751	420,451
Consulting services	12,301	29,352	84,561	99,686
AI technologies	39,182	-	149,681	-
Total Cost of Revenues	987,018	1,172,942	3,117,865	4,565,585
GROSS PROFIT	294,931	1,025,459	1,137,171	3,330,702
OPERATING EXPENSES:				
Sales & marketing	173,197	214,979	435,522	735,599
Engineering	280,897	339,282	946,303	963,831
Research and development	215,831	273,555	771,789	1,144,715
Administration	1,991,408	852,584	4,030,906	2,660,227
AI technologies	340,441	476,960	1,174,465	860,947
Total Operating Expenses	3,001,774	2,157,360	7,358,985	6,365,319
LOSS FROM OPERATIONS	(2,706,843)	(1,131,901)	(6,221,814)	(3,034,617)
OTHER INCOME (EXPENSES):				
Interest Expense	(6,260)	(12,783)	(133,435)	(19,095)
Other income, net	4,524	615	33,732	4,021
Total Other Income (Expense)	(1,736)	(12,168)	(99,703)	(15,074)
NET LOSS	(2,708,579)	(1,144,069)	(6,321,517)	(3,049,691)
Basic & Diluted Net Loss Per Share	\$ (0.77)	\$ (0.63)	\$ (1.95)	\$ (1.78)
Weighted Average Shares-Basic & Diluted	3,528,128	1,817,289	3,247,954	1,715,480

DUOS TECHNOLOGIES GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	<u>(Unaudited)</u>	
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,116,582	\$ 56,249
Accounts receivable, net	1,339,786	2,611,608
Contract assets	184,235	1,375,920
Prepaid expenses and other current assets	<u>618,492</u>	<u>716,598</u>
Total Current Assets	<u>6,259,095</u>	<u>4,760,375</u>
Property and equipment, net	336,486	260,181
Operating lease right of use asset	257,367	430,146
OTHER ASSETS:		
Software Development Costs, net	5,000	20,000
Patents and trademarks, net	<u>65,757</u>	<u>61,598</u>
Total Other Assets	<u>70,757</u>	<u>81,598</u>
TOTAL ASSETS	<u>\$ 6,923,705</u>	<u>\$ 5,532,300</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 702,611	\$ 2,641,437
Accounts payable - related parties	7,950	12,791
Notes payable - financing agreements	70,991	42,299
Notes payable - related parties, net of discounts	-	905,373
Line of credit	-	27,615
Payroll taxes payable	3,146	115,111
Accrued expenses	989,397	393,272
Current portion - financing lease agreements	87,091	45,072
Current portion-operating lease obligations	247,182	239,688
Current portion-SBA loan	863,845	-
Contract liabilities	332,751	8,661
Deferred revenue	<u>707,244</u>	<u>936,428</u>
Total Current Liabilities	4,012,208	5,367,747
Finance lease payable	126,597	89,026
Operating lease obligations	18,958	202,797
SBA loan	546,425	-
Total Liabilities	<u>4,704,188</u>	<u>5,659,570</u>
Commitments and Contingencies (Note 6)		
STOCKHOLDERS' EQUITY (DEFICIT):		
Series A redeemable convertible cumulative preferred stock, \$10 stated value per share, 500,000 shares designated; 0 issued and outstanding at September 30, 2020 and December 31, 2019, convertible into common stock at \$6.30 per share	-	-
Series B convertible cumulative preferred stock, \$1,000 stated value per share, convertible into common stock at \$7 per share	1,705,000	1,705,000
Common stock: \$0.001 par value; 500,000,000 shares authorized, 3,535,339 and 1,982,039 shares issued, 3,534,015 and 1,980,715 shares outstanding at September 30, 2020 and December 31, 2019, respectively	3,536	1,982
Additional paid-in capital	<u>39,730,665</u>	<u>31,063,915</u>
Total stock & paid-in-capital	41,439,201	32,770,897
Accumulated deficit	<u>(39,062,232)</u>	<u>(32,740,715)</u>
Sub-total	2,376,969	30,182
Less: Treasury stock (1,324 shares of common stock at September 30, 2020 and December 31, 2019)	<u>(157,452)</u>	<u>(157,452)</u>
Total Stockholders' Equity (Deficit)	<u>2,219,517</u>	<u>(127,270)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 6,923,705</u>	<u>\$ 5,532,300</u>

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

	For the Nine Months Ended	
	September 30,	
	2020	2019
Cash from operating activities:		
Net loss	\$ (6,321,517)	\$ (3,049,691)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	159,121	136,108
Stock based compensation	261,761	35,017
Modification of employee stock options	102,800	-
Interest expense related to debt discounts	94,627	9,401
Changes in assets and liabilities:		
Accounts receivable	1,271,822	124,810
Contract assets	1,191,685	379,136
Prepaid expenses and other current assets	331,456	(562,263)
Operating lease right of use asset	172,778	(509,958)
Accounts payable	(1,938,824)	461,701
Related payable-related party	(4,841)	(682)
Payroll taxes payable	(111,965)	(195,120)
Accrued expenses	648,625	27,804
Operating lease obligation	(176,345)	534,415
Contract liabilities	324,090	(1,141,088)
Deferred revenue	(229,184)	126,534
Net cash used in operating activities	(4,223,911)	(3,623,876)
Cash flows from investing activities:		
Purchase of patents/trademarks	(8,185)	(11,595)
Purchase of fixed assets	(216,401)	(133,039)
Net cash used in investing activities	(224,586)	(144,634)
Cash flows from financing activities:		
Repurchase of common stock	-	(7,993)
Repayments of line of credit	(27,615)	(2,689)
Repayments of related party notes	-	(80,000)
Issuance cost	(1,001,885)	(10,000)
Repayments of notes payable	(1,000,000)	-
Repayments of insurance and equipment financing	(204,659)	(207,187)
Repayment of finance lease	(42,046)	(10,851)
Proceeds from SBA loan	1,410,270	-
Proceeds from notes payable-related parties	-	1,080,000
Proceeds from notes payable	-	250,000
Proceeds from equipment leasing	121,637	-
Proceeds from common stock issued	9,253,128	-
Proceeds from warrants exercised	-	2,315,268
Net cash provided by financing activities	8,508,830	3,326,548
Net increase (decrease) in cash	4,060,333	(441,962)
Cash, beginning of period	56,249	1,209,301
Cash, end of period	4,116,582	767,339
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 32,768	\$ 5,728
Supplemental Non-Cash Investing and Financing Activities:		
Common stock issued for accrued BOD fees	\$ 52,500	\$ 19,166
Lease right of use asset and liability	\$ 644,245	\$ -
Note issued for financing of insurance premiums	\$ 233,350	\$ 217,804
Debt discount on Notes issued	\$ -	\$ 12,500
Note issued for equipment financing lease	\$ -	\$ 102,928

SOURCE: Duos Technologies Group, Inc.

View source version on accesswire.com:

<https://www.accesswire.com/616459/Duos-Technologies-Group-Reports-Third-Quarter-and-Nine-Month-2020-Results>

Released November 12, 2020

Duos Technologies
Q3 2020 Earnings Call
November 12, 2020

Presenters

Chuck Ferry - Chief Executive Officer
Adrian Goldfarb - Chief Financial Officer

Operator

Good afternoon. Welcome to Duos Technologies Third Quarter 2020 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. Sir, please proceed.

Chuck Ferry

Welcome, everyone, and thank you for joining us. Earlier today, we issued a press release announcing our financial results for the third quarter of 2020, as well as other operational highlights. A copy of the press release is available in the Investor Relations section of our website. As many of you are aware, this is my first earnings call as a new CEO for Duos Technologies. In recognition to that fact, I'd like to take this time to introduce myself. Prior to joining Duos, I was a CEO of APR Energy, which is a global fast-track power company. During my time at APR, I managed \$325 million annual P&L and oversaw roughly 800 employees and installed and operated 17 globally dispersed power plants.

Prior to that, I was the General Manager for ARMA Global Corporation, a defense contracting company that delivers IT engineering, services, and logistics solutions in the U.S. Special Operations Command and other government agencies. While at ARMA, the company grew from 20 million in annual revenue to 200 million and from 80 employees to approximately 1,000, leading to an acquisition by General Dynamics. I also previously spent several years as a Business Developer and Operations Manager at Lockheed Martin, as well as an individual consultant.

Before my time in the private sector, I spent 26 years in the U.S. Army serving in an Infantry Ranger in Special Operations Units as an Enlisted Man, NCO and Officer that included 48 months of combat service in Somalia, Afghanistan, and Iraq. In my previous military and civilian leadership roles, I've been involved in developing requirements, delivering, and deploying cutting-edge technologies. I joined Duos because I believe that the solutions Duos offers are world-class, and I've been very impressed by the talent and the ability of the Duos team, where I believe I can provide the most value to our organization as my experience in generating teamwork and turning strategies into actions and results. My past assignments leading Complex, Infantry, and Special Operations Units, coupled with the experience of leading businesses in both the growth and turnaround phases, has prepared me well. I understand what needs to be done to make Duos a profitable and sustainable business. I want to thank the employees of Duos who have welcomed me, and I can say that I really enjoyed the first few months on the team. Thank you to our Board of Directors for their confidence in appointing me and for their continued support, and thank you to our investors and our shareholders. I look forward to hearing from all of you in the coming months.

Since joining the company on September 1st, the management team and I, with support from our Board, have been working to formulate and begin the execution of a strategy aimed at positioning Duos for profitable growth and expansion in the years ahead. As of today's call, we have completed an assessment of the company's current position in terms of commercial, operations, finance, and personnel and then outlined the strategy and operating plan designed to accomplish two main goals: first, deliver operational and technical excellence to our customers, second, prioritize our product offerings and focus on a more profitable and sustainable go-to-market strategy that will improve margins and increase recurring revenue. In a few moments, I'll provide more details on this assessment and go forward strategy. However, before I do, I want to turn the call over to our CFO, Adrian Goldfarb, who will walk us through the financial results for the quarter. Adrian?

Adrian Goldfarb

Thank you, Chuck. Before discussing the numbers in detail, I would like to make a few introductory comments. From a purely financial standpoint, this past quarter has been extremely challenging. After our successful uplisting (sp) to NASDAQ earlier in the year, we were almost immediately hit with the effects of the ongoing pandemic. This changed many of our original assumptions for the business operations for 2020. Fortunately, an assessment of the situation leads us to believe that, although we were likely to suffer delays in receiving orders and implementation schedules, we would likely be able to resume later this year. In addition, the pause gave us time to examine and consider certain aspects of the business that could be significantly improved, and I'm pleased to report that the management team has and will continue to focus on areas to strengthen overall operations and results—improvement in financial results that can be expected. Chuck will discuss much of this later in the call.

Now turning to our financial results for the third quarter. Total revenue for the third quarter decreased 42% to \$1.28 million compared to \$2.2 million in the equivalent quarter in 2019. The decrease in total revenue for the quarter was due to a decline in technology systems revenue as a result of an earlier delay in receiving an order for a large project. This was initially planned for execution during the third quarter of 2020 but will now be substantially completed in the fourth quarter. Total revenue for the nine months ended September 30, 2020, decreased 46% to 4.26 million from 7.9 million in the same period last year. The decrease in total revenue was driven by slower than anticipated contract awards by one customer, pending resolutions of certain terms and conditions, which has now been resolved. The current pandemic environment has also impacted expected receipt of awards and caused delays in execution due to travel and other restrictions.

Gross profit in Q3 was 295,000, or 23% of total revenue, which was a decrease of 71% from 1.03 million, or 47% of total revenue, for the equivalent quarter in 2019. The decrease in gross profit was due to the higher overall cost of sales relative to revenue recorded during the quarter, largely due to implementation delays as noted previously. Gross profit for the nine months ended September 30, 2020 decreased 66% to 1.14 million, or 27% of total revenue, from 3.33 million, or 42% of total revenue, in the same period last year. The decrease in gross profit was mainly the result of the fixed costs related to maintaining a minimum staff to begin execution once orders were received, not being offset by sufficient revenues, as had been anticipated earlier in the year.

Turning to our costs, operating expenses increased 39% in Q3, 2020, to 3 million from 2.16 million in the same quarterly period last year. The increase in operating expenses was primarily due to an increase in administration expenses, which was offset by a decrease in sales and marketing, engineering, research and development, and AI technologies expenses. The increase in administration expenses was related to a one-time charge for severance payment due to the retirement of the company's former CEO and Chairman.

Operating expenses for the nine months ended September 30, 2020, increased 16% to 7.36 million from 6.37 million in the same period last year. The increase in operating expenses was primarily due to an increase in administration expenses and AI technologies expenses, which were offset by decreases in sales and marketing, engineering, and research and development. The increase in administration expenses was related to a one-time charge for severance payment, due to the retirement of the company's former CEO and Chairman, as noted previously. AI technologies costs were higher as a result of additional growth in this area and an increase in resources allocated from the R&D department. With development work for the company's AI platform completed, costs in this area are expected to normalize going forward.

We recorded a net loss in Q3 of 2.71 million, or \$0.77 loss per share, compared to a net loss of 1.14 million, or \$0.63 loss per share, in the equivalent quarter in 2019. The increase in net loss was attributable to the increase in administration expenses as noted previously. Net loss for the nine months ended September 30, 2020 totaled 6.32 million, or 1.95 loss per share, \$1.95, compared to a net loss of 3.05 million, or \$1.78 loss per share, in the same period a year ago. The greater net loss was primarily attributable to an overall decrease in revenue for the period, as well as an increase in expenses as noted previously.

Now, let's discuss the balance sheet. We ended the quarter with \$4.12 million in cash and cash equivalents, and we also had net receivables of 1.34 million. For the nine month period, we use \$4.22 million of cash in operations compared to 3.62 (sp) million in the same period a year ago. The increase in net cash used in operations for the nine months ended September 30, 2020, was the result of higher expenditures related to current and future projects execution in anticipation of new projects.

Finally, I'd like to provide an update on our financial projections. We had previously suspended guidance due to the uncertain impact of the coronavirus on our operations and our customers. At this time, management has been able to quantify the impact to our financials, and we are resuming giving short-term guidance at this time. For the fiscal year ending December 31, 2020, we expect total revenue to range between \$7.5 million and \$8 million. As a reminder, our guidance calculation is based on contracts and backlog and near-term pending orders that are already performing or scheduled to be executed during the fourth quarter of 2020. As many of you listening are aware, our quarterly results are subject to a degree of volatility and timing impacts, making performance difficult to project in the short-term.

Going forward, it is our intention to provide more of an incremental outlook on our operations to the extent that we are able. The company's business is in the early stages of recovery, and management has undertaken significant internal restructuring efforts beginning in Q4 to build revenues for both new systems and recurring revenue services. Management also expects the current cash position will remain largely unchanged through the end of first quarter 2021. Although uncertainties continue in the macro economic climate, management believes that 2021 will yield a much stronger financial performance for revenue and profitability. The company plans to release guidance for 2021 in early January. I will now turn the call back over to Chuck to provide a further update on the business. Chuck?

Chuck Ferry

Thanks, Adrian. For the remainder of my remarks today, I'd like to spend an extra amount of time discussing our strategic review, the results of that process, and our operational roadmap going forward. Then I'll provide a brief update on our operation for the last quarter, including recent wins and management updates before turning it over for questions, beginning first with our strategic review. At a high level, I'm pleased to say that the many reasons that drew me to this company, including its people, technology, and market opportunity, still hold true after a detailed assessment. I also recognize there are a number of improvements that must be made to position our company for long-term success.

Before I get into the hard part, I'd like to outline the opportunity before us as it relates to our industry. The opportunity within our Rail Inspection Portal, or RIP, business is substantial. We are currently, to the best of our knowledge, providing a unique inspection solution that has little to no direct competition at this moment. We are currently providing this solution to three of seven Class 1 railroad operators with 10 systems already deployed. Because our early—because of our early leadership position, we've been able to accumulate experience and intellectual property that will be time consuming and expensive for a new competitor to replicate. And we have given ourselves the ability to upgrade and scale our solutions with additional technologies in the future.

Lastly, I've directed our operations and technical teams to design the next generation of RIP to meet anticipated Federal Railroad Administration, or FRA, and Association of American Railroads regulatory guidelines. We currently estimate the total Class 1 railroads addressable market at 156 systems in North America alone. Between initial RIP installations, upgrades, and long-term service agreements, we believe this equates to well north of an \$800 million realistically attainable opportunity in the coming years.

At the same time, we recognize that the technology lifecycle is fast and evolving. Potential competitors could move into this sector, and it's even possible that some Class 1 railroads could develop their own solutions that limit our total addressable market. However, there is an opportunity for us to seize here, and we intend to make the most of it. Another market plan we plan to aggressively pursue is within our Automated Logistics and Information Systems business, or ALIS. Leveraging the same technology that powers our RIP business, we can enable distribution centers and intermodal operations to more efficiently inspect and transport goods. ALIS replaces traditional gatehouse operations with turnkey deployment of an intelligent multi-sensor system that eliminates manual processes in favor of a completely automated inspection. Today, we currently have 20 production systems in use, but we believe the Greenfield opportunity here to be substantial. We have identified over 900 lanes of traffic within nearly 300 facilities as potential business opportunities in the near-term. The addressable market equates to well over \$100 million.

Now that we sized (sp) our market, I'm going to discuss the results of our strategic review. As part of this process, we conducted a SWOT analysis to identify our strengths, weaknesses, opportunities, and potential threats. We review the business within the following key areas: operations, commercial, finance, and personnel. I'm going to discuss each area in that order, beginning with our operations. Our first goal on priority is operational excellence. To put it bluntly, I believe we can be doing a better job in the development, testing, and deployment of our technology. Improving the preparation, installation, and reliability of our technology will effectively reduce costs that we are incurring during installations as a result of issues having to return to a site multiple times.

We are already instituting these improvements for our existing contracts. Improving our delivery and reliability will also allow us to improve project margins. As an example, during this quarter, we delayed delivery on certain key projects to ensure proper pre-shipping preparation was completed the standard, which impacted our results to a degree. We fully expect to recognize these project revenues in Q4, but we are committed to quality and safety above all else. Additionally (sp), collaboration between project management, engineering, IT, software, and artificial intelligence teams can be better. Closer collaborating and more disciplined project management will allow better communication with our customers and makes us faster and more cost-effective. We will also improve the resourcing and execution of our 24/7 service operation center to improve accountability and responsiveness to our customers, which will, in turn, entice them to continue service contracts and improve a recurring revenue stream. The major takeaways are as follows. We will improve operational technical execution, customer satisfaction, and speed. This means delivering projects on time, on budget, and with improved technical reliability.

Moving to our commercial assessment. As a CEO, I've already been directly involved in the front end of our business working with our commercial leadership to develop our go-to-market strategy, product prioritization, and new business pipeline, with measurable goals and metrics. In my experience, most businesses get plenty of good leads and opportunities. My focus is to drive these opportunities to deal closure. From an organization standpoint, I've made Scott Carns, the Chief Commercial Officer for the company's wholly-owned subsidiary Duos Technologies, and made his sole focus on the front-end of the business, which is marketing, sales, proposals, pricing, and contract closure. Previously, he was also managing our operations and, quite frankly, was stretched too thin. As a result, the focus on the front end of the business suffered. To assist Scott, we've just hired a very experienced financial operations professional. That will lead what I call Commercial Operations, which I consider to be the engine of the business. Commercial Operations includes proposals, pricing, and contracts.

We have recently launched the new improved website that I think you'll agree does a better job of presenting our business. If you haven't logged on to it lately, I encourage you to do so. Our current services are primarily offered via a CapEx model where the customer buys the technology, and Duos provides a smaller service model for it. Starting next year, we will begin to offer an OpEx model where a customer simply buys a service in exchange for a highly—for a higher monthly charge and a longer term contract. We expect this to increase our recurring revenue and expand our customer base for both RIP and ALIS.

Furthermore, in operating two businesses between Duos and our Truevue 360 subsidiary, we've created organizational stow pipes that limited internal collaboration and, in some cases, even confused our customers. We will be consolidating both units under the parent company to correct this issue. We will reinvestigate existing and pursue new strategic partnerships with key industry players that will improve market access and credibility for Duos. With these changes in place, we expect to generate material increases in revenue year-over-year between both new customers and existing customers.

On the financial side, we are certainly focused on topline revenue, a business of our size—while we are certainly focused on topline revenue, a business of our size must be more focused on margins and cash. Our goal is to become a more consistent, predictable, and profitable company. I firmly believe that we can improve our operating margins, given our current market position, while at the same time, save costs through better execution. We will conduct more frequent internal financial reporting to ensure that all projects and related spend remain on target and on time. I'm also challenging our P&L leaders that proactively manage our operations and make good financial decisions thinking like owners versus employees.

As it relates to personnel, we have a very talented workforce, and I believe we are only scratching the surface of that potential. We need to update our structure to continue to attract and retain top talent, and that includes more incentive and performance based compensation, as well as improved benefits and 401(k) contributions. Additionally, many departments are currently segmented in a way that doesn't optimize for ideal communication and workflow, and we're making corrections to that right now.

The main takeaway from this review process has been that we have a tremendous opportunity for success in the years ahead. To be clear, the attainment of these goals is a serious undertaking that might take more than 12 months to realize in the manner that I just laid out. COVID-19 pandemic has made the global economy and, by connection, our industry increasingly difficult to predict, which might require us to revise plans accordingly. My job is to optimize our team to be able to capture as much of the market as we can in the most efficient way possible, and I believe we're already on—well on our way to making these changes. And I look forward to keeping you all updated on our progress going forward.

Switching gears now to our quarterly operations. During Q3, we experienced a moderate return to normal business conditions, and we were encouraged by the signing of two significant contracts in recent months, both of which were with existing Class 1 railroad customers. First, in September, we won a \$1.3 million contract to substantially expand our current relationship with a customer and upgrade our scope of work at existing RIP installation for the purpose of instituting increased automated mechanical inspections. The intent of the upgrade is to create new perspectives within the current system to identify specific railcar inspection points, which can be monitored and addressed through the use of AI applications being developed and integrated into the Duos centraco platform.

The upgrade will initially be performed at one of the railroads existing RIPs, with the expectation that its application will expand to several other locations in the future based on a successful proof-of-concept. The contract will be executed over the next few months, with completion expected before the end of the year. It also includes future payments through 2022 for recurring service, maintenance, and spare parts components in addition to the base contract value. More recently in October, we were awarded a multi-year contract from an existing customer CN. The agreement includes complete North American service, support, maintenance, and spare components sourcing for the seven RIPs that CN currently operates and will be recognized as recurring revenue through 2022. Similar to the previous win I spoke about, under the terms of the agreement, our RIP system will identify specific railcar inspection points, which are monitored and addressed using AI applications developed by CN and integrated into the Duos centraco platform. The continued service and maintenance of our systems is critical to our partnership and success with CN, and we greatly appreciate our continued relationship and CN's trust in Duos to deliver cutting-edge solutions.

Moving to management updates. As previously mentioned, effective last month, we promoted Scott Carns, a founding employee of Duos Technologies and formerly our Chief Operating Officer, to the newly created Chief Commercial Officer position for our Duos Technologies wholly-owned subsidiary. In addition to my earlier comments, Scott is a founding employee of Duos Technologies and has spent over 20 years in several different roles in the company. He is also a co-inventor of Duos' Train Rider Detection System developed for U.S. customs and border protection, which is the predecessor of the Railcar Inspection Portal, and is in use at many Class 1 freight railroads today.

After performing capably as a COO, in this new role, Scott will be responsible for the development and execution of Duos' growth strategy and expansion where he can leverage his long-standing relationships to meaningfully increase our penetration rates with customers. He will also help to develop and create solutions to meet their unique operational challenges. Scott has brought tremendous value to our organization over the past few decades and will continue to be a key member of the management team going forward.

Secondly, I'm pleased to announce that we have hired Ben Eiser as our new COO for Duos Technologies wholly owned subsidiary. Ben joins Duos with 27 years of military and private sector leadership and management experience. Prior to joining Duos, he was the Vice President for project management at APR Energy, where he lead an operations and engineering team that profitably delivered 17 fast power plants and locations that included Argentina, Australia, Bangladesh, Dominican Republic, and Puerto Rico. Before that, he was Director of Projects for ARMA Global where he managed large IT programs in support of the United States Special Operations Command, with over 300 people globally, completing more than 50 projects. Prior to his experience in the commercials sector, Ben served 21 years in active duty in the U.S. Army as an Enlisted Man, NCO and Officer, leading Infantry and Ranger units, including multiple combat tours over 48 months in Afghanistan and Iraq.

I've had the opportunity to previously work alongside Ben in various professional capacities, most recently in APR Energy. So, I'm well aware of his technical acumen and leadership abilities. Ben is a perfect fit for the COO role, and I believe he'll be able to make an immediate impact on our operations in numerous key functions. Additionally, with Scott's promotion, we'll be able to ensure a smooth transition, as we all work closely together over the coming months, Scott on the front end of the business, Ben on the back end to implement our revamped strategic growth Plan.

Finally, we have a few updates to our Board of Directors to announce. First, we recently proposed the election of Ed Harris to our Board as an Independent Director. As a former COO and Tier 1 rail operator CSX, Ed has more than 50 years of railroad experience. Ed is an experienced executive with a wealth of knowledge, and we're looking to benefit from his collected wisdom and strong industry relationships. Second, current Director Ken Ehrman, has been appointed our new Chairman of the Board. Ken will also continue in his role as Chairman of the Nominating and Governance Committees.

Third, I have also been appointed as a Director of the Board. Separately, both our current CFO, Adrian Goldfarb, and former CEO and former Chairman, Gianni Arcaini, will not stand for reelection. Adrian continues as our Chief Financial Officer and has been working closely with me in developing our strategy and has been quantifying the impact with a focus on improving cash flow and profitability. Adrian is stepping down from the Board in the interest of best corporate governance practices, leaving me now in the only non-independent seat. He has performed well in his role, and we appreciate his efforts. I would also like to thank Gianni for his service to our company over the last many years. He has been particularly helpful to me personally during this transition period.

With those items out of the way, I'll now provide a brief outlook. Obviously, my entry into this company comes at a unique time for the business and the world. We've all been affected in many ways by the global pandemic and are continuing to work through challenging circumstances to stay safe and find some normalcy. While there's no way to predict what the next few months will hold, we're controlling that which is within our power.

We are taking the first steps forward on the path to a new growth era. Our vision is to position Duos as a business that deploys cutting-edge technologies that help to transform precision railroading, logistics, and intermodal transportation solutions. We have an excellent pipeline of opportunities with our existing rail and logistics customers that we expect to drive much improved financial results for 2021. I remain excited by the tremendous opportunity we have before us and believe we have the team, technology, and resources necessary to capture a greater share of the North American rail market. The Duos team and I look forward to delivering what we have discussed today. And with that, we're ready to open the call for your questions. Operator, please provide the appropriate instructions.

Operator

Thank you. At this time, we will be conducting a question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. If at any time you wish to remove your question from the queue, please press star two. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. Once again, to ask a question, please press star one. Once again, if you'd like to ask a question, please press star one on your telephone keypad. We're not receiving any questions at this time. I would like to turn the call back to Mr. Ferry for closing remarks.

Chuck Ferry

Thanks, operator, and thank you, everyone, for joining us on today's call.

Operator

Before we conclude today's call, I would like to provide Duos' Safe Harbor statement that includes cautions—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, 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 Incorporated'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 Technology Group's 2020 third quarter earnings conference call. You may now disconnect.